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Debt Operations Report

December 1995

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Debt Operations Report

December 1995

Department of Finance Canada
Ministère des Finances Canada

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INTRODUCTION

The Fiscal Context

The state of public finances in Canada is a crucial public policy issue. Large deficits and growing debt burdens have constrained the ability of governments to provide the range of programs and services Canadians want, including efforts to strengthen economic growth and job creation, and have led to growing concern on the part of investors at home and abroad.

An unbroken string of deficits has caused the public debt to grow substantially faster than the economy over the past 20 years. As a result, the net federal debt now stands at 73 per cent of Gross Domestic Product (GDP), up from 47 per cent of GDP a decade ago. Canada's total government debt – including provincial government debts – has reached 100 per cent of GDP.

As the public debt has grown, debt charges have claimed an increasing share of revenues, squeezing out the ability to pay for programs and services. Interest charges ate up 34 cents of every federal revenue dollar in 1994-95, up from 22 cents in 1980-81 and about 11 cents in 1974-75. At $42 billion, interest charges were the largest single budgetary expenditure item for the federal government in 1994-95, and more than accounted for the deficit of $37.5 billion.

In response to the deficit and debt challenge, the federal government is acting to reduce the deficit sharply both to end the rise of the debt-to-GDP ratio and ensure that it is put on a permanent downward track.

As the size of the debt has grown, so has the importance and complexity of managing the debt effectively. The purpose of this *Debt Operations Report* is to explain the government's debt management strategy and to provide basic information on its borrowing operations.

Highlights of the Report

The *Debt Operations Report* outlines the key elements of current federal debt management strategy and describes various strategic and operational aspects of the government's debt program and cash management activities over the past fiscal year.

The federal government's net debt is defined as its gross public debt less the financial assets it owns. The net debt, which represents the sum of the federal government's annual budgetary deficits and surpluses since Confederation, totalled some $546 billion at the end of March 1995.

The federal government finances the debt by borrowing from two basic sources. First, and most importantly, the government borrows from financial markets by issuing various instruments such as bonds and Treasury bills. On March 31, 1995, the government's outstanding market debt was $438 billion. Second, the federal government borrows from internal sources, primarily from the federal public sector superannuation accounts.

Federal debt management strategy

The objectives of the federal government's debt management strategy are: to minimize the cost of funding for the Government of Canada; to ensure that these costs remain relatively stable over time; to maintain a diverse investor base; and, to ensure the continuing development of liquid and well-functioning Canadian financial markets.

This strategy encompasses four key elements:

- to achieve a more stable and prudent debt structure by rebalancing the stock of debt more towards longer-term fixed-rate instruments, bringing Canada more into line with international standards;
- to develop a retail debt program aimed at stopping the decline in the retail investor base by providing Canadians with greater opportunities to invest in a family of Government of Canada debt products;
- to continue to reduce borrowing costs through the development of innovative financing instruments and improvements in the liquidity and efficiency of the Canadian fixed income market; and
- to maintain active relations with investors and credit rating agencies, informing them on a timely basis of Canada's political, economic, fiscal and debt management developments.

Composition of the federal debt

Almost all of the federal government's borrowings are for domestic purposes. These include new requirements that arise from financing the government's budget deficit and the refinancing (rolling over) of maturing debt instruments.

The main instruments the government uses to meet its domestic financial requirements are:

- marketable bonds – including fixed-coupon bonds and Real Return Bonds;
- Treasury bills; and
- Canada Savings Bonds.

These instruments account for about 80 per cent of total domestic government borrowings. The remainder (20 per cent) come from internal sources such as the superannuation accounts.

The table below indicates the breakdown of the stock of federal Canadian dollar market debt as of March 31, 1995 (the end of the last fiscal year). The table also shows the new issues that took place last fiscal year.

Government of Canada Canadian dollar market debt: March 31, 1995

Instrument	Stock as of March 31/1995	New issues in 1994-95 Gross issues	Maturing securities	Net issues
		(billions of dollars)		
Fixed-coupon bonds	222	41.6	21.2	20.4
Real Return Bonds	4	1.8	0	1.8
Treasury bills	164	401.1	402.7	(1.6)
Canada Savings Bonds	31	7.5	7.6	(0.1)
Total	421	452.0	431.5	20.5

The government also borrows from time to time to meets some of its foreign currency reserve needs for official government operations, which are effected through the Exchange Fund Account. These borrowings, which totalled some $17 billion on March 31, 1995, are small in relation to total federal government debt (4 per cent of outstanding market debt in 1994-95) and are currently denominated exclusively in U.S. dollars.

Who holds the federal debt

The distribution of domestic holdings of Government of Canada market debt has shown some important changes over the last decade. Of note is the decline in the share of the personal sector – to 16 per cent from over 40 per cent a decade earlier. As a result, Canada Savings Bonds, which may be held only by individuals, have been declining as a proportion of total outstanding debt. Chartered banks account for the largest share of domestically held Treasury bills. Insurance companies and pension funds have the largest holdings of Government of Canada marketable bonds.

Over time, there has been an increasing reliance on Canadian government borrowings from non-residents. This increased reliance results from the fact that domestic savings have not kept pace with the total borrowing needs of Canadian governments and the private sector. Non-resident holdings of the Government of Canada's outstanding market debt are estimated to have reached $110.4 billion at the end of March 1995. This represents 25 per cent of the government's total market debt, up from 11 per cent a decade ago.

Structure of the Report

The Report is organized as follows: Section 1 describes the major themes and key elements of current federal debt management strategy. Section 2 presents the results of the fiscal year 1994-95 debt program. Section 3 documents borrowings by federal Crown corporations. Section 4 describes the distribution of holdings of Government of Canada debt and the changes in those holdings over time. The Report also includes technical Annexes related to Government of Canada debt instruments and Reference Tables containing historical data on the federal debt.

1. FEDERAL DEBT MANAGEMENT STRATEGY

Overview

The objective of managing the federal debt is to minimize funding costs while ensuring that these costs remain relatively stable through periods of market volatility.

To achieve this objective, the federal government continually searches for ways to improve the liquidity and efficiency of capitals markets, since efficient capital markets lower borrowing costs. Furthermore, the government continues to monitor developments in financing instruments to look for better and more innovative ways to finance the debt.

While cost minimization is a key goal, it must be balanced with the goal of cost stability. An important element of current federal debt strategy is the plan to alter the structure of the debt to reduce sensitivity of debt servicing costs to fluctuations in interest rates. Sensitivity to changes in interest rates is reduced primarily through increased issuance of fixed-coupon marketable bonds.

A further key element of federal debt strategy is the government's retail debt program. Given the size of the federal debt, the government needs to maintain a broad investor base. Retail distribution is an important part of this investor base. A concern is that the personal sector's share of the domestically-held federal debt has fallen in recent years, from over 40 per cent a decade ago to 16 per cent in 1994. The government, through its retail debt program, aims to stop this decline and over time increase the share of the federal debt held by retail investors, thereby reducing the reliance on foreign investors.

Following are detailed descriptions of the key components of current federal debt strategy.

Reducing Sensitivity to Interest Rate Fluctuations

An important consideration in managing the federal debt is the impact on debt charges of unexpected increases in interest rates. Under the current structure, a one percentage point increase in rates results in a $1.5 billion increase in annual debt charges[1]. The potential for unexpected variations in debt charges can be modified by changing the structure of the outstanding debt – a larger proportion of fixed-rate debt reduces the sensitivity of debt charges to interest rate fluctuations.

Currently, 45 per cent of the federal debt is in floating-rate form (that is, debt which matures or is repriced within one year) and 55 per cent is in fixed-rate form. Chart 1 shows the structure of outstanding debt over the past 10 years.

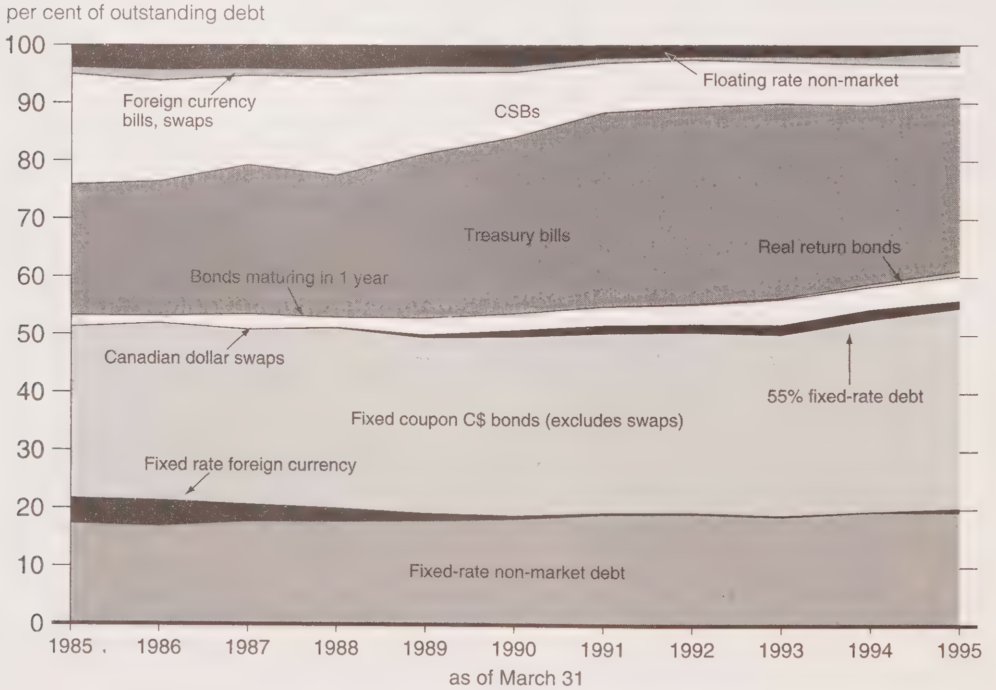
[1] Note that this is the effect over one year. Since longer-term debt is also refinanced at higher rates, annual debt charges would increase in later years as well.

Other major industrialized countries generally have more than 65 per cent of their debt in fixed-rate form. Because of the rapid build-up in Canada's debt and relatively heavy reliance on Treasury bill issuance over the last two decades, the federal government is more exposed to changes in interest rates than most other sovereign issuers of debt. The large size of Canada's debt and the relatively high proportion being refinanced in the short term are matters of increased focus in financial markets. The establishment of a more prudent financial structure is an important element in putting the federal government's financial house in order.

Establishing a more prudent debt structure involves considerations of interest cost minimization. Planning assumptions of stable, positively sloped yield curves would call for more short-term debt on cost grounds. However, more prudent planning assumptions are that rates will rise, at least temporarily, and that yield curves will be inverted for periods of time during the ten-year planning horizon. Under these conditions, moving to a higher portion of fixed-rate debt can result in substantial savings in debt charges as well as providing increased cost stability. The current target of 65 per cent at the end of the 2004-05 fiscal year represents a balance of cost minimization and cost stability. Achieving a fixed-rate target higher than 65 per cent is constrained at this time by the ability of the Canadian fixed income market to absorb higher levels of Government of Canada fixed-coupon bond issuance.

Chart 1

Structure of outstanding debt



Source: Department of Finance.

Given the size of the federal debt stock, it is not possible to change the structure of the debt dramatically from one year to the next. The government has worked to increase the fixed share of the debt since 1990 as markets permitted. Successive increases in the medium-term target have been made in each of the last four years consistent with the ability of the domestic bond market to absorb the requisite large volumes of bond issuance. The increase in the fixed-rate target to 65 per cent of the debt stock at the end of 2004-05 will bring Canada more into line with international standards, achieve a more prudent debt structure in an increasingly volatile market environment, and remove debt structure as a source of financial concern for Canada.

Consistent with the higher fixed-rate target, the average term to maturity (ATM) of the debt stock will be lengthened. Typically, outstanding debt with a lower ATM will result in more volatile debt charges as it has to be refinanced more quickly. The ATM of the outstanding market debt of the Government of Canada reached a low of 4.0 years in 1990, as a large proportion of deficits in the preceding decade was financed by Treasury bills. Since 1990-91, however, as a consequence of the government's strategy to issue a higher proportion of longer-term debt, the ATM has rebounded, reaching a level of 4 years 10 months at the end of fiscal 1994-95. (See Chart 2.)

Chart 2

Average term to maturity of outstanding marketable debt

Source: Bank of Canada.

Retail Debt Strategy

Given the scale of debt operations, the government needs as broad an investor base as possible; retail distribution is an important component of the strategy to diversify the investor base. The share of the domestic federal debt held by the personal sector has fallen from over 40 per cent a decade ago to 16 per cent in 1994. The retail program is aimed at stopping this decline by providing Canadians better access to a family of safe and secure Government of Canada obligations.

As part of the February 1995 budget, the government announced the launch of a new retail debt program. The objective of this initiative is to provide Canadians better access to a family of Government of Canada retail products rather than solely Canada Savings Bonds, so that Canadian investors can participate to a greater extent in the federal debt program.

As recommended by studies on retail debt commissioned by the Department of Finance, the new retail debt strategy will no longer focus exclusively on a single product, i.e. Canada Savings Bonds (CSBs), as it has in the past. The plan is to increase retail sales by developing and promoting a family of products, including new products, that will meet the needs of different retail market segments (cash, pre- and post-retirement). The retail program will also adopt a new customer-focused marketing approach and will concentrate on facilitating access to government debt obligations by improving current distribution channels and developing new ones. A Special Operating Agency, the Canada Retail Debt Agency, with the required retail market expertise to design, market and distribute government retail products has been established to meet the objectives of the retail debt program.

Market Development

The government's debt management strategy places significant emphasis on initiatives to improve the functioning of Canadian capital markets. Capital markets which are liquid and efficient offer lower borrowing costs for issuers. The government's efforts over the last several years to improve the liquidity and efficiency of Canadian capital markets have helped to reduce its borrowing costs by an estimated 10 basis points, and have helped to promote Canada's markets to be among the most efficient in the world. One indicator of the efficiency of capital markets is the trading spreads for instruments (i.e. the difference between the yields at which instruments are offered for sale and for purchase). Table 1 shows the narrow spreads at which Government of Canada Treasury bills and benchmark bonds are quoted – spreads which compare favourably to those of other major international capital markets.

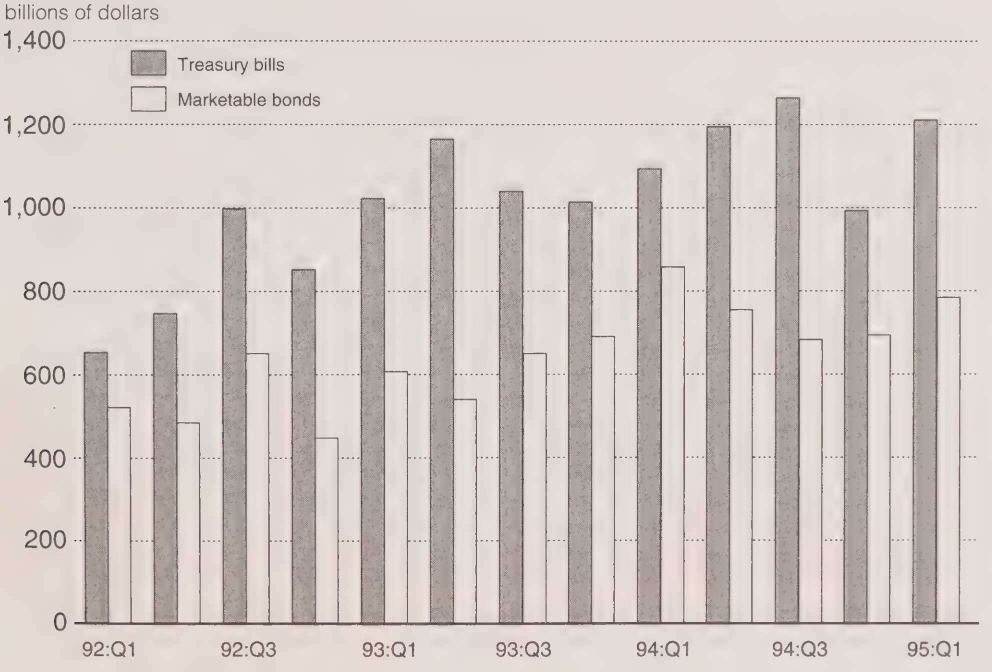
Table 1
Bid-offer spreads on Government of Canada Treasury bills and benchmark bonds

	Treasury bills	2-3-year bonds	5-year bonds	10-year bonds	30-year bonds
Spread (in basis points)	2-3	2-3	2-3	1	1

Source: Bank of Canada.

The liquidity and efficiency of Canadian capital markets have increased steadily over the past few years, with benefits to the federal government and other market participants. One indicator of the liquidity of the market is the turnover or volume of transactions. Volumes of transactions in the Government of Canada bond market are estimated to have grown by some 140 per cent from $330 billion in the first quarter of 1990 to roughly $785 billion in the first quarter of 1995. Similarly, in the Treasury bill market, volumes have grown by approximately 200 per cent from $405 billion in the first quarter of 1990 to $1,200 billion in the first quarter of 1995. (See Chart 3.) Again in proportionate terms, turnover ratios in the Canadian markets compare favourably with those of other countries with highly developed capital markets.

Chart 3
Domestic Treasury bill and marketable bond turnover



Source: Bank of Canada.

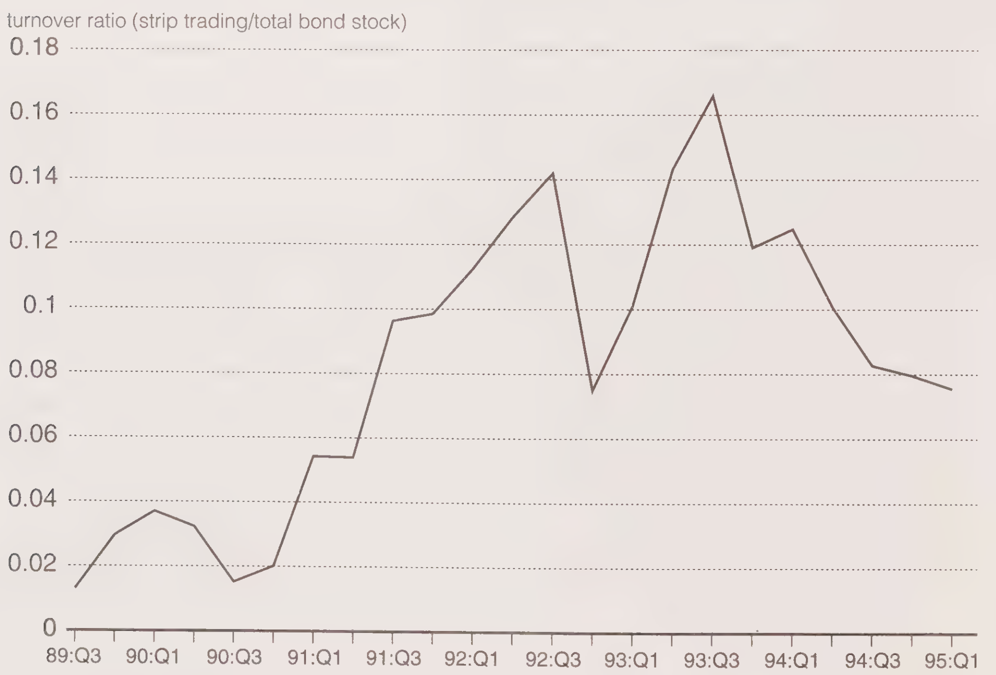
The adoption of an electronic system of clearing and settling Government of Canada bonds is an example of a measure which has improved the efficiency of the Canadian bond market. The government supported the introduction of such an electronic system in 1989 by Canadian Depository for Securities (CDS) Limited. The CDS system made it possible in June 1995 to reduce the settlement period for bonds from five to three days. Since late October 1995, Government of Canada Treasury bills have become available on the CDS system.

The CDS system also helped the development of the stripped Government of Canada bond market by facilitating the combining of stripped Canada bonds. (For stripped bonds, a bond's interest payments and its principal are separated, and each is sold individually.) These measures have helped increase the liquidity of the Canadian stripped bond market. Chart 4 shows the significant increase in Government of Canada stripped bond trading since 1989.

Introduction of the CDS system has also helped reduce transactions costs for repurchase agreements (repos) involving Government of Canada bonds. (Under a repo, the investor selling the financial asset simultaneously agrees to repurchase it from the purchaser on a stated future date at a predetermined price.) This innovation, combined with the removal of Canadian withholding

Chart 4

Government of Canada strip bond turnover



Source: Bank of Canada.

tax on most cross-border repo transactions in 1993, have resulted in a significant increase in repo trading – from a weekly average of $135 billion in January 1994 to some $220 billion in February 1995.

Table 2 gives a summary of major ongoing government initiatives to improve Canadian fixed-income markets.

Table 2
Major initiatives undertaken to promote efficient Canadian capital markets

Ongoing initiatives

Bond markets

Large benchmark issues

Regular bond calendar

Pricing transparency

Book-based electronic clearing and settlement

Quarterly two-, five-, ten- and thirty-year auctions

Auction of Real Return Bonds

Common coupon dates

Derivatives markets

Promotion of Government of Canada bond futures contracts

Removal of tax limitations on cross-border repo transactions

Treasury bill program

Same-day cash management bills

Maturity of cash management bills on days other than Thursday

Reduced tender size volatility

Initiatives under review

U.S. dollar medium-term note program

Improved cash management

Increased use of derivatives

Greater transparency in the bond calendar is a key element in the strategy to improve the liquidity of the Canadian bond market. Over the past four years, the government has on an annual basis announced its target benchmark sizes for marketable bonds. In addition, the dates of planned bond issues are announced in advance on a quarterly basis. In 1994-95, three dates each quarter were designated publicly for the regular cycle of two-, five-and ten-year auctions. This system will be broadened further in 1995-96 by announcing in advance each quarter the date of a regular thirty-year issue and the week of issuance of Real Return Bonds (RRBs). These announcements increase the market's certainty about future debt operations and promote efficiency in the market. Prices of government securities are widely quoted by the well-known market information service companies and a new consolidated inside-market pricing service is expected to be available in late 1995.

Table 3
Target benchmark sizes for Government of Canada bonds

Benchmark	Target range Fiscal 1995-96
	(billions of dollars)
2-year	4 - 6
3-year	4 - 6
5-year	6 - 9
10-year	6 - 9
30-year	6 - 9

Source: Department of Finance.

In 1995, in response to demand from investors, the government also announced the reintroduction of benchmark bonds with three-year maturities, and the introduction of an auction process for distribution of Real Return Bonds.

The government continues to actively promote the development of a domestic Government of Canada bond futures market. The Department of Finance and the Bank of Canada have worked with the Montreal Exchange and the investment community in developing the five- and ten-year Government of Canada bond futures contracts.

The government's cash management operations serve to keep cash balances at minimum levels in view of operational needs, and to maximize interest earned on excess balances. The government's cash management has been improved with the introduction in 1995 of a new funding instrument, same-day cash management Treasury bills. Same-day bills are delivered and settled for same-day funds for maturities as short as one day. This instrument, combined with short-term cash management bills which mature on days other than Thursday, provide the government with further options for cost-effective funding which will allow better matching of its short-term borrowings with its cash needs.

In the future, the government will be reviewing other initiatives which could assist in more efficient debt management operations. The use of a U.S. dollar medium-term note (MTN) program will be evaluated as a means of raising cost-effective funding for the Exchange Fund Account. MTNs cover the short- to medium-term maturity range and could be used in addition to the Canada bill program and occasional foreign-currency bond issues. As well, the applicability of wider usage of derivatives will be assessed as a means of managing the government's exposure to interest rate and foreign exchange risk.

Investor Relations and Rating Agencies

The Investor Relations Program enhances the Department of Finance's ongoing dialogue with investors, with the objective of improving investor knowledge of Canada's political, economic and fiscal developments, and our debt management strategies. The program helps to ensure that Canada remains a preferred investment location for international investors. Among the program's key elements are the timely distribution of information on the fiscal, economic and monetary outlook, regular contact with domestic and international investors, and annual investor missions to Canada from major markets.

Ongoing contact and close co-operation with investors is the essence of the program. Highlights from this year's program included a successful round of post-budget visits led by senior economic Ministers, who spoke to and heard from investors in New York, London, Tokyo, and Zurich, and a visit by the Minister of Finance to Tokyo and Hong Kong to focus investor attention on the recent improvements in Canadian economic competitiveness. Internationally, the program relies on Canada's Finance Counsellors abroad for developing and maintaining links with the international investment community.

The Department of Finance continues to maintain close contact with rating agencies, providing periodic briefings on developments and the outlook in Canada, as well as regular in-depth reviews of the federal government's finances.

2. Government of Canada debt management operations and cash management – 1994-95

Overview

The federal government's net public debt totalled $546 billion on March 31, 1995 – up from $508 billion one year earlier. The government finances the debt by borrowing from financial markets through the issuance of various instruments, including fixed-coupon bonds, Real Return Bonds, Treasury bills and Canada Savings Bonds. The federal government also borrows from internal sources, primarily from public sector superannuation pension accounts.

The Government of Canada issued $20.5 billion of domestic market debt (net of maturing securities) during the 1994-95 fiscal year: $20.4 billion in fixed-coupon marketable bonds; $1.8 billion in Real Return Bonds; a $1.6 billion reduction in the stock of outstanding Treasury bills; and a $110 million reduction in the stock of Canada Savings Bonds. (See Table 4.) The government increased internal borrowings by $9.4 billion in 1994-95, principally from public service superannuation accounts.

As a result of the 1994-95 debt program's greater issuance of debt in fixed-rate (rather than floating-rate) form, the proportion of the outstanding stock of federal debt at fixed rates increased from 53 per cent to 55 per cent during 1994-95.

Table 4
The marketable debt program, 1994-95

	(billions of dollars)
Canadian dollar market transactions (net issuance)	
Fixed-coupon bonds	20.4
Real Return Bonds	1.8
Treasury bills	-1.6
Canada Savings Bonds	-0.1

Source: Department of Finance estimates.

Following are detailed descriptions of the specific component programs making up the 1994-95 debt program.

Government of Canada Fixed-Coupon Bonds

Fixed-coupon marketable Government of Canada bonds are issued in Canadian dollars and pay interest semi-annually. The outstanding stock of these bonds totalled $226 billion at the end of the fiscal year, representing the largest component (at 52 per cent) of the federal government's outstanding

market debt. Issuance of fixed-coupon bonds is one of the key means by which the government can increase the share of the federal debt at fixed rates.

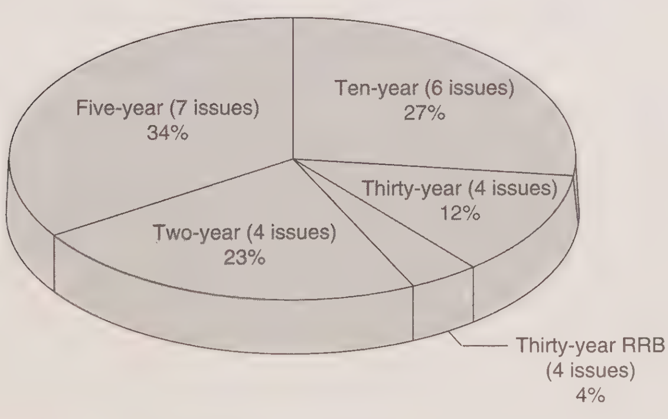
Gross issues of Government of Canada fixed-coupon bonds (excluding Real Return Bonds) totalled $41.6 billion in fiscal 1994-95. Of this amount, $21.2 billion was used to finance maturing bonds, while $20.4 billion represented net new issues. (See Reference Table IX for a summary of gross issues during fiscal 1994-95, and Reference Table X for a list of all bond issues outstanding on March 31, 1995.)

The average term to maturity of the fixed-coupon bond program for the year increased to 8.9 years from 8.6 years. (Chart 5 shows the distribution of issues in the bond program by approximate term to maturity.)

The government has pursued a strategy to improve liquidity in Canada's bond market through larger benchmark bond sizes. The average size of the 21 Government of Canada bond auctions during the year was approximately $1,980 million, up about $135 million per issue from fiscal 1993-94. In March 1994, target sizes for benchmark issues were increased: for two-year bonds, to $4 to $6 billion; and for five-, ten-, and thirty-year bonds, to $6 to $9 billion. All of these targets were met during the course of the 1994-95 fiscal year. Building upon the success of its continuing quarterly cycle of two-, five- and ten-year auctions, the government issued thirty-year bonds each quarter.

Chart 5

Fiscal 1994-95 fixed-coupon bond program



Source: Department of Finance.

Real Return Bonds

In November 1991, the government introduced a program of Real Return Bonds whose return is linked to changes in the consumer price index. This instrument represents cost-effective diversification of the marketable bond program for the government as the implied real rates on comparable nominal bonds will generally exceed the real rate offered on RRBs. Real Return Bonds also have value for institutional investors whose long-term liabilities are related to the rate of inflation and for retail investors, principally for their RRSPs.

In fiscal 1994-95, the government issued a total principal amount of $1.8 billion in four separate issues. These bonds, like the original issue, bear a real coupon rate of 4.25 per cent and mature in 2021. Due to the rise in nominal interest rates over the fiscal year, which made implied real rates on comparable nominal bonds significantly higher than the real rate offered on RRBs, issuance of Real Return Bonds in 1994-95 fell short of expectations.

Primary distribution of the four issues of Real Return Bonds in the fiscal year took place through a syndicate of Canadian securities dealers. Late in the year, the first auction of RRBs was announced for the first quarter of the 1995-96 fiscal year. Consistent with greater transparency, the date of the first RRB auction was announced in the quarterly press release.

Floating-Rate Borrowing

Table 5 shows a comparison of the size and cost of the various floating-rate financing alternatives available to the government. The bulk of the government's floating rate financing is in the form of Treasury bills. Cost savings for the government can be achieved through participation in interest

Table 5

Selected floating-rate statistics, fiscal 1994-95

	Gross issuance	Average rate[1]
	(billions of dollars)	(per cent)
Treasury bills:		
Cash management	40.8	6.24
Three months	200.6	6.40
Six months	99.1	6.92
Twelve months	60.6	7.50
EFA cash management swaps	0.3	5.79
Interest rate swaps	0.5	7.02
Canada Savings Bonds	7.5	6.38

[1] For Treasury bills, weighted average tender yields during the fiscal year. For interest rate swaps, average rate on gross transactions. For Canada Savings Bonds, average rate earned on bonds sold in the 1994 campaign.

Source: Department of Finance.

rate and EFA cash management swaps. The potential size of these programs, however, is much smaller than that of the Treasury bill program, because of the limited size of the swap market relative to the well-developed domestic Treasury bill market.

The Treasury bill program

On a weekly basis, Treasury bills with terms to maturity of three, six and twelve months are offered to meet part of the new financial requirements of the government and to refinance maturing Treasury bills. In order to enhance liquidity of one-year Treasury bill issues, the government issues one-year bills in two consecutive auctions with a common maturity date. Cash management bills for somewhat smaller amounts and shorter periods than typical Treasury bills are also issued from time to time to meet financing requirements.

The outstanding stock of Treasury bills decreased by a very small amount during 1994-95 to $164 billion, in response to the government's lower borrowing requirements. Total gross issuance of Treasury bills remained very active, however, at $401.1 billion in 1994-95, reflecting the shorter term to maturity and more frequent turnover of these instruments than bonds. (See Reference Table VI for a list of all Treasury bill issues during the fiscal year.)

Canada Savings Bonds

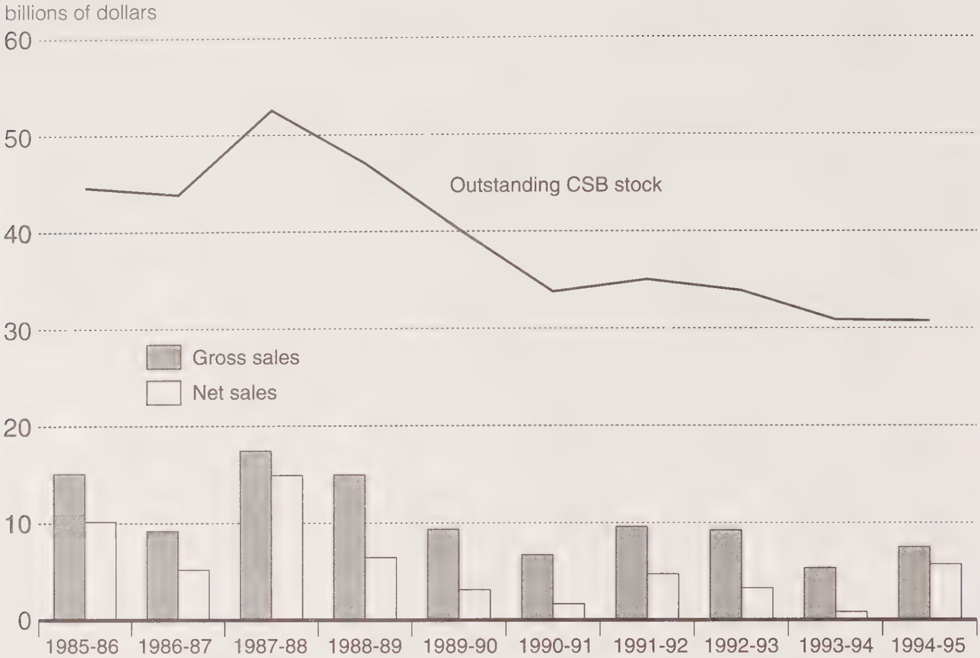
The federal government introduced two enhancements to Canada Savings Bonds in 1994 to revitalize the program after a number of years of declining sales. These innovations were: 1) a new three-year escalating pricing feature, aimed at making CSBs more competitive in an upward-sloping yield curve environment; and 2) an expanded sales window, to make the product available over a longer period of time. These innovations were well-received by Canadians.

Total gross sales during the 1994 campaign were $7.5 billion, an increase of almost 40 per cent from the previous year. Adjustments to the interest rate paid on CSBs, set in the 1994 campaign, were made on two occasions: the rate was raised from 5.75 per cent to 7.5 per cent for the period from February 1, 1995 to April 30, 1995, and was reduced to 6.5 per cent for the period from May 1, 1995 to July 31, 1995. With strong sales in the campaign, the government was able to stop the rapid decline in the stock of outstanding CSBs. The CSB stock at the end of the 1994-95 fiscal year was $31 billion.

By offering the new three-year escalating pricing feature and expanding the sales window, the federal government was able to meet the demands of individual Canadians and provide them additional flexibility for participation in the federal debt program. The enhancement of the 1994 CSB program represented an innovative and successful first step as part of the government's efforts to maintain a presence in retail markets.

Chart 6

CSB sales and stock over the past decade



Source: Bank of Canada.

The Canadian dollar interest rate swap program

Since February 1988, as opportunities have arisen, Canada has entered into domestic fixed-to-floating interest rate swap agreements with selected counterparties. These agreements make use of Canada's relative advantage as the benchmark issuer in fixed-rate debt to obtain floating-rate funds at rates below those on Treasury bills.

During fiscal 1994-95, the government transacted four swaps with a nominal principal amount totalling $500 million, at floating rates between 22 and 40 basis points below three-month bankers' acceptances (BAs). With the total stock of $6.8 billion outstanding at March 31, 1995, estimated savings of $37.5 million per year below comparable Treasury bill costs are being realized. (Reference Table VIII contains a list of all interest rate swaps done by the government between April 1, 1994 and March 31, 1995.)

Exchange Fund Account cash management swaps

Exchange Fund Account (EFA) cash management swaps exchange a small portion of Canada's foreign currency exchange reserves for Canadian dollars, with a simultaneous agreement to buy the foreign currency back at a fixed price sometime in the future. They are used on short notice for cash management purposes. Only one EFA swap was done in 1994-95, in the amount of $300 million, and no swaps were outstanding at year end.

Canada's Foreign Currency Debt

Canada borrows in foreign currencies for the principal purpose of raising foreign exchange reserves for the Exchange Fund Account. These reserves are used to promote order and stability of the Canadian dollar on the foreign exchange market. Foreign currency debt outstanding of U.S. $12.1 billion (some $17 billion in Canadian dollar terms) as of March 31, 1995 includes Canada bills, a U.S. $2 billion floating-rate note, and marketable bonds. The federal government's foreign currency debt is currently denominated exclusively in U.S. dollars and amounts to about 4 per cent of its outstanding market debt.

Foreign currency liabilities were more than fully covered by available foreign currency assets in the form of international reserves. On March 31, 1995, Canada's international reserves stood at approximately U.S. $14.8 billion.

Table 6
Composition of foreign currency debt as of March 31, 1995

	Amount	Per cent of total foreign currency debt	Floating-rate portion
	(billions of U.S. dollars)		(billions of U.S. dollars)
Canada bills	6.5	53	6.5
Floating-rate note	2.0	17	2.0
Bonds	3.6	30	1.3
Total	12.1	100	9.8

Source: Department of Finance.

Canada bills

Canada bills, short-term promissory notes denominated in U.S. dollars, are issued from time to time in the U.S. market, and are a source of low-cost U.S. dollar funding. At the end of 1994-95, just over half (or $6.5 billion) of the government's outstanding foreign currency debt was in the form of Canada bills. The stock of Canada bills increased from $4.1 billion at the end of the 1993-94 fiscal year. The cost of this program is offset by investing the proceeds of these issues in high-quality U.S. dollar denominated assets.

Euro-U.S. $2 billion three-year bond issue

In July 1994, the government launched its first fixed-rate U.S. dollar issue in eight years. The issue bore a coupon of 6½%, and was sold to retail and institutional investors in the Euromarket. The operation was undertaken to diversify the funding of the government's foreign currency liabilities.

Cross-currency swap

In March 1995, the government entered into a currency exchange agreement, whereby $400 million of Canadian dollar floating-rate debt was swapped into $286 million of U.S. dollar floating-rate debt for a five-year term. The swap was done as a cost-effective alternative to bond issuance to fund the government's foreign exchange reserves.

Global U.S. $1.5 billion five-year bond issue

In May 1995, the government launched its first-ever Global bond. Tradable by investors in Asia, Europe and North America, the issue was met with very strong demand and was priced, with a coupon of 6½%, at a level of U.S. Treasuries plus 25 basis points. The proceeds of the issue were used to reduce the outstanding level of Canada bills.

Global U.S. $1.5 billion ten-year bond issue

In July 1995, the government followed up the success of its first Global bond with a U.S. $1.5 billion ten-year Global bond issue. Favourable market conditions at the time provided an opportunity to raise funds required for Canada's foreign exchange reserves which will be used to prefund U.S. dollar bond issues maturing later in fiscal year 1995-96. Once again, the issue was extremely well-received by investors around the world, which allowed it to be priced at a cost of 36 basis points over U.S. Treasuries.

The Management of the Government's Cash Balances

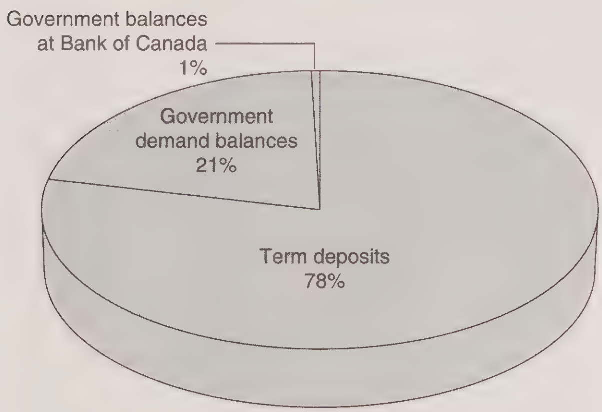
The government's objective is to keep balances at minimum levels, given operational needs and the variability of cash flows, while at the same time maximizing interest earned on these assets. All cash balances are auctioned to financial institutions in either term or demand form, with as much as possible in the form of term deposits which receive a higher rate of return. During fiscal 1994-95, rates received on term deposits were about 235 basis points higher than those on demand deposits. The government's ability to maximize earnings on cash balances, however, is to some extent constrained by the uncertainty in forecasting the large daily changes in cash balances, owing to the scope of the government's financial operations and the operations of the Bank of Canada.

Auctions were introduced for the federal government's term deposits in 1986 and demand deposits in 1989 to permit these balances to earn competitive market rates of return. Each week the direct clearers (the major deposit-taking institutions and banks) bid, at auction, for a share of the government's demand balances. These balances are priced off the direct clearers' prime rate. At the end of each business day, after the government's cash needs for the next day are determined, the excess is auctioned to direct clearers in the form of term deposit balances. The amounts are announced at the end of the afternoon, and the auctions take place the following morning.

The level of the government's daily cash balances (term and demand) averaged $2.4 billion in fiscal 1994-95, compared to $3.1 billion in 1993-94. Term deposits, typically in amounts varying between $200 million and $3,300 million for terms ranging between one and eight days, averaged $1.9 billion, $526 million lower than the previous fiscal year. Earnings on term balances averaged 6.17 per cent, up from 4.25 per cent in the prior year. Average demand balances, at $517 million, were $129 million lower than in 1993-94, and earned 4.34 per cent (compared to 3.48 per cent the previous year). (See Chart 7.)

Chart 7

Government of Canada cash balances



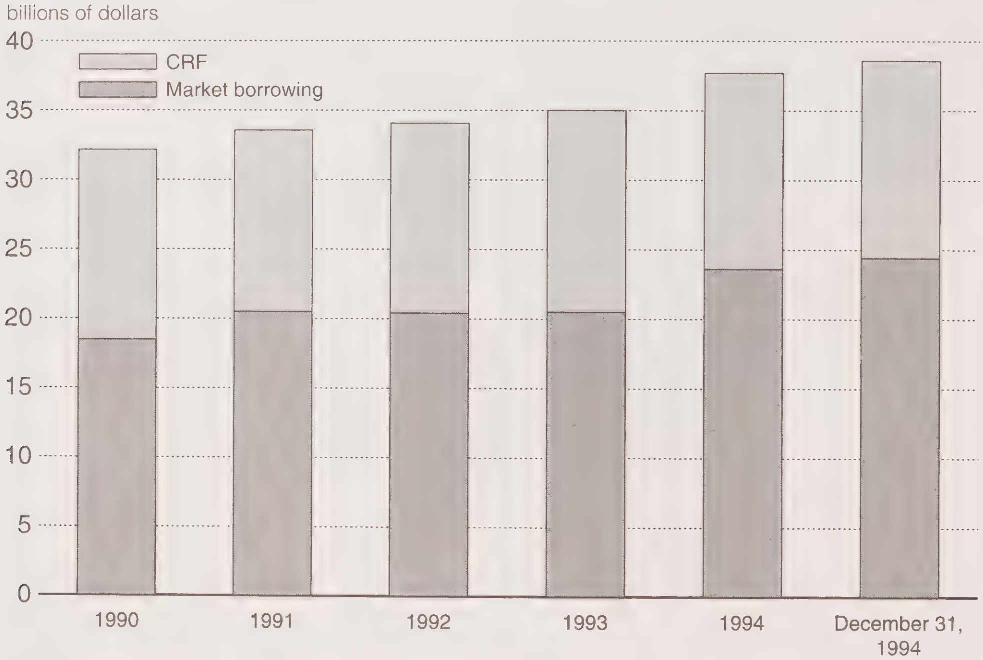
Source: Department of Finance.

3. Borrowings by Crown corporations

In order to assess fully the government's total impact in financial markets, it is necessary to include the market borrowings of federal Crown corporations. As illustrated in Chart 8, total outstanding borrowings by Crown corporations increased from $32.2 billion at the end of fiscal 1989-90 to $38.6 billion at December 31, 1994, reflecting an increase in market borrowings from $18.4 billion to $24.4 billion and an increase in Consolidated Revenue Fund borrowings from $13.7 billion to $14.2 billion. Reference Tables XI and XII provide further information on Crown corporation borrowings from the market and from the Consolidated Revenue Fund.

Chart 8

Borrowings by Crown corporations
as of March 31, except where indicated



Sources: Receiver General, *Public Accounts of Canada*,
Public Works and Government Services Canada, *Summary Quarterly Financial Statements of Crown corporations.*

4. Distribution of holdings of Government of Canada debt

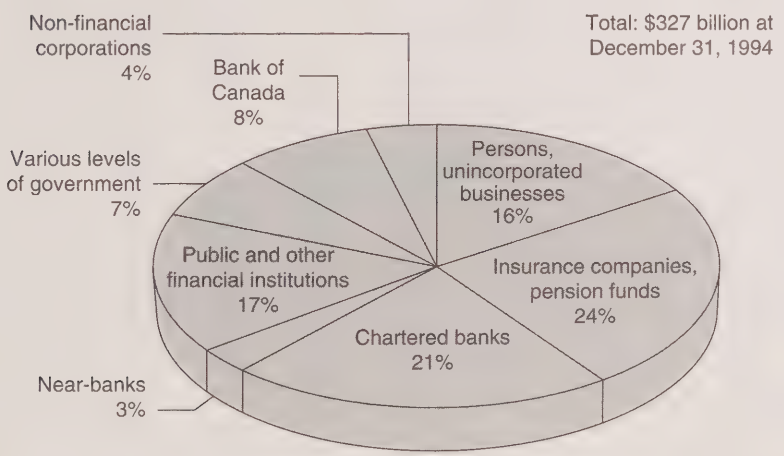
Domestic Holdings of Government of Canada Debt

Insurance companies, pension funds and chartered banks remain the sectors with the largest holdings of Government of Canada market debt. (See Chart 9.) Total holdings of market debt by persons and unincorporated businesses fell 17 per cent in 1994, while holdings of the chartered banks rose by 16 per cent. Holdings of insurance companies and pension funds increased by 12 per cent in 1994.

Reference Table IV shows the evolution of the distribution of domestic holdings of Government of Canada market debt over the past 18 years. Noteworthy is the decline in the past few years in the holdings of the personal sector, mirrored by an increase in the holdings of insurance companies and pension funds, and chartered banks.

Chart 9

Distribution of domestic holdings of Government of Canada market debt



Source: Statistics Canada, *The National Balance Sheet Accounts.*

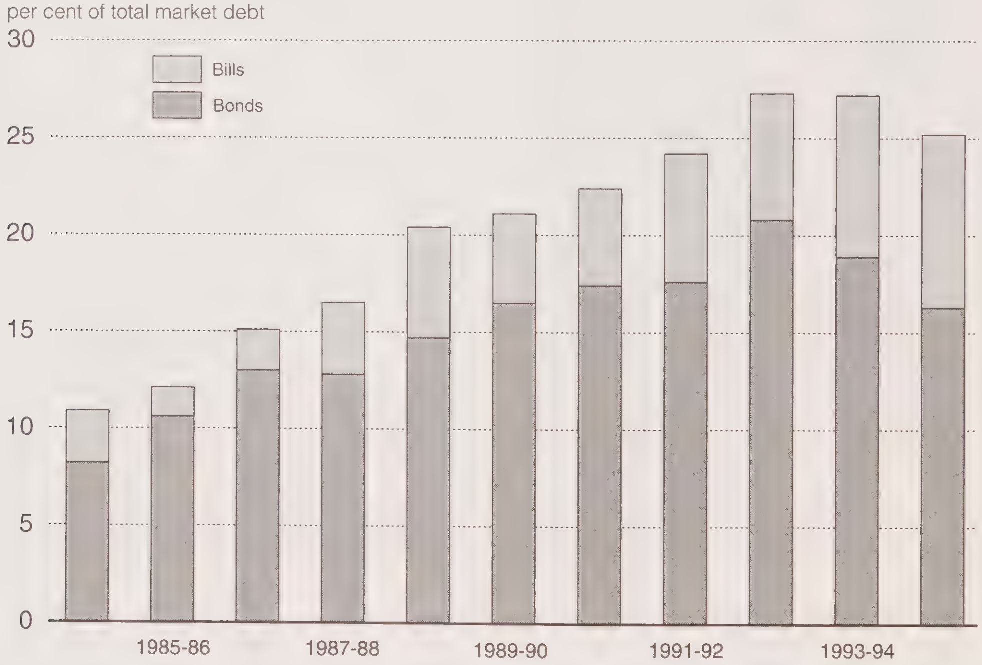
Non-Resident Holdings of Government of Canada Debt

Non-resident holdings of the Government of Canada's outstanding market debt are estimated to have reached $110.4 billion at the end of March 1995, down $1.3 billion from a year earlier. Non-resident holdings represented 25 per cent of the Government of Canada's total market debt at the end of fiscal 1994-95, up from 11 per cent at the end of fiscal 1984-85. (See Chart 10.)

In fiscal 1994-95, non-resident holdings of Government of Canada marketable bonds decreased by $6.4 billion. Non-resident holdings of Treasury bills increased by $5.1 billion over the fiscal year. (See Reference Table V.) Non-residents held 32 per cent of outstanding Government of Canada marketable bonds at the end of fiscal 1994-95, down from 38 per cent in 1993-94. Non-resident holdings of Treasury bills amounted to 24 per cent of total bills outstanding at the end of March 1995, up from 20 per cent one year earlier.

Chart 10

Non-resident holdings of Government of Canada debt



Source: Statistics Canada, *Canada's International Transactions in Securities.*

Annex 1: Government of Canada market debt instruments

Fixed-coupon marketable bonds

Government of Canada marketable bonds are generally available in denominations ranging from $1,000 to $1,000,000. As of December 1, 1993, new issues of Government of Canada bonds are issued in fully registered form only. With the exception of the 3.75 per cent bonds maturing March 15, 1998, all Canadian dollar marketable bonds are non-callable. All Canadian dollar marketable bonds pay interest semi-annually.

Issues of government bonds are sold via public tender, with the Bank of Canada acting as the government's fiscal agent, to primary distributors made up of Canadian securities dealers and a small number of Canadian chartered banks. Typically, these sales are via bid-price auction.

There is an extensive domestic secondary market in marketable bonds. Government of Canada bonds are the benchmark bonds in the Canadian bond market, and are very liquid. Market participants buy and sell bonds quite actively in this market.

Treasury bills

Government of Canada Treasury bills are issued in denominations ranging from $1,000 to $1,000,000.

Issues of Treasury bills are sold by public tender on a discount basis, with the Bank of Canada acting as the government's fiscal agent, to primary distributors made up of Canadian securities dealers and chartered banks. Treasury bills with terms to maturity of three, six, or twelve months are auctioned on a weekly basis, typically on Tuesday for delivery Thursday. To increase the size and liquidity of one-year Treasury bills, the government issues fungible one-year bills, in which two consecutive regular quarterly auctions are accumulated on one common maturity date. Typically, in the first week of a two-week cycle, 364-day bills are issued, while in the second week, 357-day bills are issued.

There is an extensive domestic secondary market in Treasury bills. Chartered banks, securities dealers, and the general public buy and sell Treasury bills in this liquid market.

Canada Savings Bonds

CSBs are offered for sale by most Canadian financial institutions for a limited time in the fall. To facilitate their purchase, many Canadians elect to purchase CSBs through payroll deductions.

Except in certain specific circumstances, Canada Savings Bonds can only be registered in the name of residents of Canada, and are available in both regular-interest and compound-interest forms. Denominations range from $100 to $10,000; all CSBs are non-callable, and, except in certain limited circumstances, non-transferable.

CSBs pay a competitive rate of interest which is guaranteed for one or more years. They may be cashed at any time, and, after the first three months, pay interest up to the end of the month prior to encashment.

Government of Canada Real Return Bonds

Government of Canada Real Return Bonds pay semi-annual interest based upon a real coupon interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on Real Return Bonds are adjusted for changes in the Canadian consumer price index. At maturity, bondholders will receive, in addition to a coupon interest payment, a final payment equal to the sum of the principal amount and the sum of the accrued inflation compensation from the original issue date. These bonds must be purchased, transferred, or sold directly or indirectly through a participant of the CDS book-entry system and only in integral multiples of $1000. Primary distribution has been through a syndicate of Canadian securities dealers and via single-price auction.

While the level of outstandings in these bonds is small compared to that of fixed-coupon marketable bonds, a secondary market in these bonds is developing. The major participants in this market are Canadian securities dealers, insurance companies, and pension funds.

Canada bills

Canada bills are promissory notes denominated in U.S. dollars and available in book-entry form. They mature not more than 270 days from their date of issue and are discount obligations with a minimum order size of U.S. $1,000,000 and a minimum denomination of U.S. $1,000. Delivery and payment for Canada bills occur in same-day funds at the offices of Morgan Guaranty Trust Company of New York in New York City.

Primary distribution of Canada bills occurs through five issuing agents, Wood Gundy Inc., RBC Dominion Securities Inc., Goldman, Sachs & Co., CS First Boston, and Lehman Brothers. Rates on Canada bills are posted daily, for terms of one to six months.

There is a small secondary market in Canada bills. Participants in this market include U.S., Canadian and international financial institutions.

Annex 2: The primary distribution of Government of Canada fixed-coupon marketable bonds and Treasury bills

The Government of Canada does not deal directly with the public in the distribution of its domestic marketable debt but transacts through a group of financial intermediaries known as primary distributors.

There are at present some 35 firms which participate in the primary distribution of bonds and Treasury bills. These primary distributors are investment dealers and chartered banks based in the major financial centres in Canada. Investment dealers have to be licensed by a provincial securities commission and be a member of the Investment Dealers Association. Banks are regulated by the Office of the Superintendent of Financial Institutions. The list of primary distributors has evolved over time. Additions to and deletions from the list of firms allowed to bid at auctions are made only after a sustained evaluation of a firm's performance over an extended period of time.

In order to be eligible as a primary distributor a firm must meet certain reporting, performance, and distribution criteria set by the Bank of Canada in its role as the government's fiscal agent.

Those primary distributors active in both bond and Treasury bill markets may apply to become Bank of Canada jobbers. This is the core group of market makers that the Bank deals with in its monetary policy operations and, since they are the largest firms, they are also the dominant group among the primary distributors.

Investment dealer jobbers have resort, at the Bank Rate, to Purchase and Resale Agreements (PRA) with the Bank of Canada in Government of Canada direct securities with a maturity of under three years up to an assigned maximum. Bank jobbers, which already have a line of credit with the Bank for settlement purposes, are not eligible for PRA. Both investment dealer and bank jobbers are eligible for Special Purchase and Resale Agreements with the Bank in the same collateral, but at the Bank's initiative, and at a rate that may differ from the Bank Rate.

Jobbers have a number of responsibilities in addition to those of primary distributors. They are expected to bid at every Treasury bill and bond auction so as to provide coverage of auctions as a group, to consistently make markets in Treasury bills and bonds to a broad customer base, and to provide the Bank with assessments of market conditions, weekly statistical reports, and audited financial statements.

ANNEX 3: SELECTED NEWS SERVICE PAGES OF INTEREST TO GOVERNMENT OF CANADA DEBT MARKET PARTICIPANTS

Dow Jones Telerate

3105	– U.S./Canada combined capital markets page
3109	– Quarterly bond auction schedule
3110	– Latest bond auction results
3111	– Treasury bill auction results
3112	– Cumulative excess settlement balances/overnight rate
3114	– Swap program highlights
3143	– Multicontributor page – Government of Canada bonds
3144	– Multicontributor page – Government of Canada Treasury bills
3159	– Canadian yield curves/spread differentials to U.S.
3190	– Canadian money markets page
3196	– Canadian Government bonds and interest rate swaps
3197	– 10 a.m. fixing – Canadian B.A. rates
3198	– 10 a.m. fixing – Government of Canada Treasury bills
9728	– 10:30 a.m. Bank of Canada jobber averages – Treasury bills, B.A.'s, and Commercial paper
27455	– 10-year CGB futures (Montreal Exchange)
27456	– BAX futures (Montreal Exchange)
27458	– 10-year bond cheapest-to-deliver (CGB futures) implied repo rate

Reuters

CDMM	– Summary page, short-term Canadian money market
CDBN	– Summary page, Canadian bonds
CDBL	– Canada – U.S. yield curves
CDOR	– 10 a.m. fixing – Canadian B.A. rates
CDOS	– 10 a.m. fixing – Canadian Treasury bill rates
FPRH	– Swap quotes
BAX <F3>	– BAX futures, Montreal Exchange
BAR <F3>	– BAR futures, Montreal Exchange

Reference tables

Reference Table I

Gross public debt, outstanding market debt, and debt charges
(Fiscal years ending March 31)

	Gross public debt				Outstanding market debt			
		Fixed-rate portion[1]	Total debt charges	Average rate[1]		Fixed-rate portion	Total debt charges	Average rate
	($ billions)	(%)	($ billions)	(%)	($ billions)	(%)	($ billions)	(%)
1984-85	243.8	51.3	22.4	10.27	171.8	35.5	18.2	10.62
1985-86	276.2	51.9	25.4	10.03	201.4	36.8	20.7	10.30
1986-87	310.0	50.9	26.7	9.28	227.4	37.2	21.5	9.43
1987-88	341.0	51.2	29.0	9.22	249.2	38.6	23.1	9.28
1988-89	372.0	49.6	33.2	9.70	274.2	37.6	26.5	9.68
1989-90	397.9	49.9	38.8	10.62	292.2	38.5	31.4	10.76
1990-91	435.3	50.4	42.6	10.54	321.1	38.9	34.3	10.68
1991-92	467.8	50.7	41.2	9.39	348.9	39.3	32.4	9.29
1992-93	504.8	50.4	38.8	8.18	379.8	39.4	29.4	7.74
1993-94	548.1	53.3	38.0	7.38	410.9	43.1	28.0	6.89
1994-95[2]	582.9	55.1	42.0	7.43	437.6	44.8	31.4	7.40

[1] After adjusting for non-interest bearing liabilities.

[2] Estimate, consistent with 1995 budget.

Sources: *Public Accounts of Canada*, Bank of Canada *Review*, Department of Finance estimates.

Reference Table II

Government of Canada outstanding market debt[1]

	Payable in Canadian dollars				Payable in foreign currencies					
	Treasury bills	Marketable bonds	CSBs	Total	Marketable bonds	Canada bills	Standby drawings	Terms loans	Total	Total
					(in millions of Canadian dollars)					
Fiscal years ending March 31										
1977-78	11,295	21,146	18,036	50,477	181	0	850	0	1,031	51,508
1978-79	13,535	26,496	19,443	59,474	3,319	0	2,782	1,115	7,216	66,690
1979-80	16,325	32,900	18,182	67,407	3,312	0	359	1,030	4,701	72,108
1980-81	21,770	40,795	15,966	78,531	3,236	0	355	1,046	4,637	83,168
1981-82	19,375	43,429	25,108	87,912	3,867	0	0	550	4,417	92,329
1982-83	29,125	48,304	32,753	110,182	4,872	0	0	362	5,234	115,416
1983-84	41,700	56,811	38,403	136,914	4,306	0	510	398	5,214	142,128
1984-85	52,300	69,256	42,167	163,723	4,972	0	1,909	1,193	8,074	171,797
1985-86	61,950	81,067	44,607	187,624	9,331	0	2,233	2,247	13,811	201,435
1986-87	76,950	94,426	43,854	215,230	9,120	1,045	0	2,047	12,212	227,442
1987-88	81,050	103,899	52,558	237,507	8,438	1,045	0	2,257	11,740	249,247
1988-89	102,700	115,748	47,048	265,496	6,672	1,131	0	934	8,737	274,233
1989-90	118,550	127,682	40,207	286,439	4,364	1,446	0	0	5,810	292,249
1990-91	139,150	143,601	33,782	316,532	3,555	1,008	0	0	4,563	321,095
1991-92	152,300	158,058	35,031	345,389	3,535	0	0	0	3,535	348,924
1992-93	162,050	178,436	33,884	374,370	2,926	2,552	0	0	5,478	379,848
1993-94	166,000	203,372	30,866	400,238	5,019	5,649	0	0	10,668	410,906
1994-95	164,450	225,513	30,756	420,719	7,875	9,046	0	0	16,921	437,640

Source: Bank of Canada *Review*.

[1] Subcategorization of Government of Canada debt is in accordance with Bank of Canada reports, which may slightly vary from Public Accounts categories due to differences in classification methods.

Reference Table III

Average weekly domestic market trading in Government of Canada securities, January to May, 1995

		Marketable bonds					
	Treasury bills	3 years and under	3 to 10 years	Over 10 years	Real return	Total marketable bonds	Total
	(millions of dollars)						
January	93,459	15,297	25,629	5,853	211	46,990	140,449
February	94,926	21,721	34,853	8,727	130	65,431	160,357
March	91,528	25,178	32,743	8,951	85	66,956	158,484
April	78,193	14,698	24,851	6,899	259	46,707	124,900
May	85,076	16,748	30,701	10,151	139	57,738	142,814

Source: Bank of Canada *Review*.

Reference Table IV

Distribution of domestic holdings of Government of Canada securities

PART A – Treasury bills, Marketable bonds, and Canada Savings Bonds

	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Near-banks[1]	Insurance companies and pension funds	Public and other financial institutions[2]	Various levels of government[3]	Total
	(millions of dollars)								
Year ends									
1976	17,945	395	8,331	8,666	716	1,436	2,388	449	40,326
1977	20,276	336	10,268	9,601	1,048	2,158	3,354	709	47,750
1978	22,917	403	12,001	9,896	1,537	3,593	4,305	1,401	56,053
1979	23,302	376	13,656	10,156	1,684	6,502	4,481	2,572	62,729
1980	24,919	561	15,858	10,002	2,771	8,992	6,008	3,948	73,059
1981	33,684	598	17,100	10,003	2,452	10,221	5,863	3,898	83,819
1982	43,936	2,255	15,428	11,233	3,288	12,724	9,270	4,139	102,273
1983	52,634	5,518	16,859	15,107	5,551	17,369	10,614	4,399	128,051
1984	61,244	7,006	17,184	15,164	4,887	23,466	12,630	6,575	148,156
1985	74,609	7,413	15,668	15,198	5,706	30,408	15,794	9,701	174,497
1986	72,415	6,270	18,374	17,779	7,277	33,435	19,253	10,869	185,672
1987	83,173	8,572	20,366	16,012	6,400	38,092	20,365	13,604	206,584
1988	85,405	8,983	20,606	21,115	7,657	41,704	20,433	16,813	222,716
1989	84,116	11,587	21,133	19,804	9,853	45,202	25,283	17,398	234,376
1990	81,113	12,456	20,325	23,224	10,413	51,972	27,048	19,146	245,697
1991	74,991	11,721	22,370	35,792	12,069	51,409	34,676	21,070	264,098
1992	72,362	13,782	22,607	44,555	12,440	61,203	42,025	18,008	286,982
1993	62,678	10,266	23,312	60,242	11,048	69,020	47,907	19,542	304,015
1994	51,917	13,083	25,337	70,063	10,131	77,273	54,462	24,423	326,689

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART B – Treasury bills, Marketable bonds, and Canada Savings Bonds

	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Near-banks[1]	Insurance companies and pension funds	Public and other financial institutions[2]	Various levels of government[3]	Total
					(per cent)				
Year ends									
1976	44.50	0.98	20.66	21.49	1.78	3.56	5.92	1.11	100.00
1977	42.46	0.70	21.50	20.11	2.19	4.52	7.02	1.48	100.00
1978	40.88	0.72	21.41	17.65	2.74	6.41	7.68	2.50	100.00
1979	37.15	0.60	21.77	16.19	2.68	10.37	7.14	4.10	100.00
1980	34.11	0.77	21.71	13.69	3.79	12.31	8.22	5.40	100.00
1981	40.19	0.71	20.40	11.93	2.93	12.19	6.99	4.65	100.00
1982	42.96	2.20	15.09	10.98	3.21	12.44	9.06	4.05	100.00
1983	41.10	4.31	13.17	11.80	4.33	13.56	8.29	3.44	100.00
1984	41.34	4.73	11.60	10.24	3.30	15.84	8.52	4.44	100.00
1985	42.76	4.25	8.98	8.71	3.27	17.43	9.05	5.56	100.00
1986	39.00	3.38	9.90	9.58	3.92	18.01	10.37	5.85	100.00
1987	40.26	4.15	9.86	7.75	3.10	18.44	9.86	6.59	100.00
1988	38.35	4.03	9.25	9.48	3.44	18.73	9.17	7.55	100.00
1989	35.89	4.94	9.02	8.45	4.20	19.29	10.79	7.42	100.00
1990	33.01	5.07	8.27	9.45	4.24	21.15	11.01	7.79	100.00
1991	28.40	4.44	8.47	13.55	4.57	19.47	13.13	7.98	100.00
1992	25.21	4.80	7.88	15.53	4.33	21.33	14.64	6.27	100.00
1993	20.62	3.38	7.67	19.82	3.63	22.70	15.76	6.43	100.00
1994	15.89	4.00	7.76	21.45	3.10	23.65	16.67	7.48	100.00

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART C – Treasury bills

	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Near-banks[1]	Insurance companies and pension funds	Public and other financial institutions[2]	Various levels of government[3]	Total
					(millions of dollars)				
Year ends									
1976	156	125	2,053	4,219	52	44	535	99	7,283
1977	458	151	2,461	4,949	143	97	1,045	208	9,512
1978	652	198	3,567	5,517	193	256	1,593	409	12,385
1979	811	167	4,345	6,690	65	241	1,620	749	14,688
1980	1,419	294	5,394	7,500	619	450	2,517	1,427	19,620
1981	1,020	372	5,431	8,597	343	532	2,297	996	19,588
1982	1,855	1,935	2,483	10,034	1,357	1,208	4,706	914	24,492
1983	4,109	5,162	2,780	12,879	3,180	2,547	5,559	599	36,815
1984	7,554	6,453	3,548	12,997	2,742	3,838	6,661	2,108	45,901
1985	13,427	6,543	4,041	12,629	3,635	3,859	8,221	3,940	56,295
1986	16,295	4,886	7,967	15,161	4,709	3,522	10,296	3,206	66,042
1987	17,700	7,213	9,847	11,498	3,725	4,745	9,672	4,867	69,267
1988	20,174	7,433	9,945	15,224	5,648	7,555	9,406	7,532	82,917
1989	32,757	9,990	11,124	16,410	8,115	7,503	12,732	8,666	107,297
1990	37,796	11,339	10,574	16,841	8,929	11,478	13,289	8,785	119,031
1991	32,380	10,549	13,093	24,382	9,080	10,076	18,148	10,155	127,863
1992	35,692	11,350	14,634	27,989	9,661	11,343	21,247	6,780	138,696
1993	28,164	9,726	16,690	29,901	9,079	16,697	22,736	6,693	139,686
1994	17,894	9,669	19,408	30,415	7,002	13,906	21,185	9,911	129,390

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART D – Treasury bills

	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Near-banks[1]	Insurance companies and pension funds	Public and other financial institutions[2]	Various levels of government[3]	Total
					(per cent)				
Year ends									
1976	2.14	1.72	28.19	57.93	0.71	0.60	7.35	1.36	100.00
1977	4.81	1.59	25.87	52.03	1.50	1.02	10.99	2.19	100.00
1978	5.26	1.60	28.80	44.55	1.56	2.07	12.86	3.30	100.00
1979	5.52	1.14	29.58	45.55	0.44	1.64	11.03	5.10	100.00
1980	7.23	1.50	27.49	38.23	3.15	2.29	12.83	7.27	100.00
1981	5.21	1.90	27.73	43.89	1.75	2.72	11.73	5.08	100.00
1982	7.57	7.90	10.14	40.97	5.54	4.93	19.21	3.73	100.00
1983	11.16	14.02	7.55	34.98	8.64	6.92	15.10	1.63	100.00
1984	16.46	14.06	7.73	28.32	5.97	8.36	14.51	4.59	100.00
1985	23.85	11.62	7.18	22.43	6.46	6.85	14.60	7.00	100.00
1986	24.67	7.40	12.06	22.96	7.13	5.33	15.59	4.85	100.00
1987	25.55	10.41	14.22	16.60	5.38	6.85	13.96	7.03	100.00
1988	24.33	8.96	11.99	18.36	6.81	9.11	11.34	9.08	100.00
1989	30.53	9.31	10.37	15.29	7.56	6.99	11.87	8.08	100.00
1990	31.75	9.53	8.88	14.15	7.50	9.64	11.16	7.38	100.00
1991	25.32	8.25	10.24	19.07	7.10	7.88	14.19	7.94	100.00
1992	25.73	8.18	10.55	20.18	6.97	8.18	15.32	4.89	100.00
1993	20.16	6.96	11.95	21.41	6.50	11.95	16.28	4.79	100.00
1994	13.83	7.47	15.00	23.51	5.41	10.75	16.37	7.66	100.00

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART E – Marketable bonds

	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Near-banks[1]	Insurance companies and pension funds	Public and other financial institutions[2]	Various levels of government[3]	Total
	(millions of dollars)								
Year ends									
1976	1,305	270	6,278	4,447	664	1,392	1,853	350	16,559
1977	1,716	185	7,807	4,652	905	2,061	2,309	501	20,136
1978	2,031	205	8,434	4,379	1,344	3,337	2,712	992	23,434
1979	3,869	209	9,311	3,466	1,619	6,261	2,861	1,823	29,419
1980	5,630	267	10,464	2,502	2,152	8,542	3,491	2,521	35,569
1981	7,317	226	11,669	1,406	2,109	9,689	3,566	2,902	38,884
1982	7,630	320	12,945	1,199	1,931	11,516	4,564	3,225	43,330
1983	8,798	356	14,079	2,228	2,371	14,822	5,055	3,800	51,509
1984	9,620	553	13,636	2,167	2,095	19,628	5,969	4,467	58,135
1985	11,673	870	11,627	2,569	2,055	26,549	7,573	5,761	68,677
1986	10,032	1,384	10,407	2,618	2,568	30,613	8,957	7,663	74,242
1987	10,433	1,359	10,519	4,514	2,675	33,348	10,693	8,737	82,278
1988	10,354	1,550	10,661	5,891	2,009	34,149	11,027	9,281	84,922
1989	7,661	1,597	10,009	3,394	1,738	37,699	12,554	8,732	83,384
1990	7,859	1,117	9,751	6,383	1,484	40,494	13,759	10,361	91,208
1991	5,297	1,172	9,277	11,410	2,989	44,333	16,528	10,915	101,921
1992	781	1,932	7,973	16,566	2,779	49,860	20,778	11,228	111,897
1993	1,891	540	6,622	30,341	1,969	52,323	25,171	12,849	131,706
1994	511	3,414	5,929	39,648	3,129	63,367	33,277	14,512	163,787

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART F – Marketable bonds

Year ends	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Near-banks[1]	Insurance companies and pension funds	Public and other financial institutions[2]	Various levels of government[3]	Total
					(per cent)				
1976	7.88	1.63	37.91	26.86	4.01	8.41	11.19	2.11	100.00
1977	8.52	0.92	38.77	23.10	4.49	10.24	11.47	2.49	100.00
1978	8.67	0.87	35.99	18.69	5.74	14.24	11.57	4.23	100.00
1979	13.15	0.71	31.65	11.78	5.50	21.28	9.73	6.20	100.00
1980	15.83	0.75	29.42	7.03	6.05	24.02	9.81	7.09	100.00
1981	18.82	0.58	30.01	3.62	5.42	24.92	9.17	7.46	100.00
1982	17.61	0.74	29.88	2.77	4.46	26.58	10.53	7.44	100.00
1983	17.08	0.69	27.33	4.33	4.60	28.78	9.81	7.38	100.00
1984	16.55	0.95	23.46	3.73	3.60	33.76	10.27	7.68	100.00
1985	17.00	1.27	16.93	3.74	2.99	38.66	11.03	8.39	100.00
1986	13.51	1.86	14.02	3.53	3.46	41.23	12.06	10.32	100.00
1987	12.68	1.65	12.78	5.49	3.25	40.53	13.00	10.62	100.00
1988	12.19	1.83	12.55	6.94	2.37	40.21	12.98	10.93	100.00
1989	9.19	1.92	12.00	4.07	2.08	45.21	15.06	10.47	100.00
1990	8.62	1.22	10.69	7.00	1.63	44.40	15.09	11.36	100.00
1991	5.20	1.15	9.10	11.19	2.93	43.50	16.22	10.71	100.00
1992	0.70	1.73	7.13	14.80	2.48	44.56	18.57	10.03	100.00
1993	1.44	0.41	5.03	23.04	1.49	39.73	19.11	9.76	100.00
1994	0.31	2.08	3.62	24.21	1.91	38.69	20.32	8.86	100.00

Note: Because of timing and valuation differences, the *National Balance Sheet* data contained in this table are not necessarily on the same basis as other data elsewhere in this publication. (Most of the data in this report is on a par value basis – that is, outstanding securities are valued at par.) For this reason, although the two sets of data yield very similar information, the data in this table are not strictly comparable with other data in this publication.

[1] Includes Quebec savings banks, credit unions and caisses populaires, trust companies, and mortgage loan companies.

[2] Includes investment dealers, mutual funds, fire and casualty insurance companies, sales, finance and consumer loan companies, accident and sickness branches of life insurance companies, other private financial institutions (not elsewhere included), federal public financial institutions, and provincial financial institutions.

[3] Includes federal government holdings of its own debt, as well as provincial, municipal, and hospital holdings, and holdings of the Canada Pension Plan and the Quebec Pension Plan.

Source: Statistics Canada, *The National Balance Sheet Accounts.*

Reference Table V
Foreign holdings of Government of Canada debt
(fiscal year ends)

	Marketable bonds	Treasury bills	Total	Total as per cent of total market debt
		(billions of Canadian dollars)		
1978-79	4.8	0.9	5.7	8.5
1979-80	5.4	0.7	6.1	8.5
1980-81	6.6	1.1	7.7	9.3
1981-82	8.5	1.1	9.6	10.4
1982-83	9.5	1.6	11.1	9.6
1983-84	9.9	2.6	12.5	8.8
1984-85	14.0	4.6	18.6	10.8
1985-86	21.4	3.0	24.4	12.1
1986-87	29.5	4.7	34.2	15.0
1987-88	31.9	9.3	41.2	16.5
1988-89	40.2	15.7	55.9	20.4
1989-90	48.3	13.3	61.6	21.1
1990-91	55.8	16.1	71.9	22.4
1991-92	61.5	23.0	84.5	24.2
1992-93	79.0	24.8	103.8	27.3
1993-94	77.7	34.0	111.7	27.2
1994-95	71.3	39.1	110.4	25.2

Source: Statistics Canada, *Canada's International Transactions in Securities*.

Reference Table VI

Fiscal 1994-95 Treasury bill program

Date	Maturing					New issues					Net increment			Average tender yields			
	CM	3 mo	6 mo	12 mo	Total	CM	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S	CM	3 mo	6 mo	12 mo
											(millions of dollars)			(per cent)			
07-Apr-94	1,500	3,700	2,000	1,200	8,400	0	3,600	1,800	1,100	6,500	-1,900	-1,900	164,100		5.96	6.47	6.77
14-Apr-94	0	4,100	2,000	1,200	7,300	0	3,600	1,800	1,100	6,500	-800	-2,700	163,300		5.59	5.91	6.31
21-Apr-94	0	4,500	2,000	1,200	7,700	2,000	4,400	2,100	1,200	9,700	2,000	-700	165,300	5.61	6.02	6.63	7.01
27-Apr-94	0	0	0	0	0	1,250	0	0	0	1,250	1,250	550	166,550	5.49			
28-Apr-94	0	4,500	2,000	1,200	7,700	1,250	4,200	2,100	1,200	8,750	1,050	1,600	167,600	5.65	5.82	6.29	6.62
05-May-94	3,250	4,100	2,000	1,100	10,450	0	3,200	1,500	1,000	5,700	-4,750	-3,150	162,850		6.02	6.47	6.76
12-May-94	0	3,900	2,100	1,000	7,000	0	3,300	1,600	1,100	6,000	-1,000	-4,150	161,850		6.36	6.73	7.24
19-May-94	0	3,000	1,900	1,300	6,200	0	4,300	2,000	1,200	7,500	1,300	-2,850	163,150		6.20	6.58	6.84
25-May-94	0	0	0	0	0	1,250	0	0	0	1,250	1,250	-1,600	164,400	5.74			
26-May-94	0	4,200	2,200	1,300	7,700	0	4,300	2,400	1,300	8,000	300	-1,300	164,700		6.06	6.42	6.82
27-May-94	0	0	0	0	0	2,000	0	0	0	2,000	2,000	700	166,700	5.76			
02-Jun-94	0	4,100	2,200	2,600	8,900	500	4,500	2,200	1,300	8,500	-400	300	166,300	5.80	6.34	6.83	7.25
09-Jun-94	1,250	3,600	2,400	0	7,250	0	3,900	2,100	1,200	7,200	-50	250	166,250		6.01	6.39	6.99
16-Jun-94	1,250	3,000	1,600	2,600	8,450	0	4,400	2,200	1,400	8,000	-450	-200	165,800		6.17	6.78	7.27
23-Jun-94	0	4,000	2,400	0	6,400	0	4,000	2,000	1,200	7,200	800	600	166,600		6.84	7.55	8.17
29-Jun-94	0	0	0	0	0	1,750	0	0	0	1,750	1,750	2,350	168,350	5.75			
30-Jun-94	0	3,900	1,700	2,600	8,200	0	4,100	2,000	1,300	7,400	-800	1,550	167,550		6.67	7.48	8.03
07-Jul-94	4,250	3,600	2,000	0	9,850	0	3,400	1,700	1,100	6,200	-3,650	-2,100	163,900		6.37	7.14	7.91
14-Jul-94	0	3,600	1,900	2,400	7,900	0	4,400	2,200	1,400	8,000	100	-2,000	164,000		6.23	7.05	7.89
21-Jul-94	0	4,400	2,200	0	6,600	0	4,000	2,100	1,200	7,300	700	-1,300	164,700		5.86	6.49	7.30
28-Jul-94	0	4,200	2,200	2,300	8,700	3,000	3,900	1,800	1,300	10,000	1,300	0	166,000	5.36	5.79	6.66	7.57
04-Aug-94	3,000	3,200	2,200	0	8,400	0	2,700	1,300	1,000	5,000	-3,400	-3,400	162,600		5.45	6.15	7.32
11-Aug-94	0	3,300	1,900	2,200	7,400	0	3,800	1,800	1,200	6,800	-600	-4,000	162,000		5.45	6.11	7.10
18-Aug-94	0	4,300	1,500	0	5,800	0	3,000	1,600	1,000	5,600	-200	-4,200	161,800		5.68	6.34	7.32
25-Aug-94	0	4,300	2,100	2,300	8,700	750	4,500	2,200	1,300	8,750	50	-4,150	161,850	4.93	5.47	6.04	6.90
29-Aug-94	0	0	0	0	0	1,500	0	0	0	1,500	1,500	-2,650	163,350	5.17			
01-Sep-94	750	4,500	2,000	0	7,250	0	3,000	1,500	1,000	5,500	-1,750	-4,400	161,600		5.35	5.59	6.62
08-Sep-94	0	3,900	1,600	2,400	7,900	0	3,900	1,800	1,200	6,900	-1,000	-5,400	160,600		5.67	6.28	7.09
15-Sep-94	0	4,400	1,500	0	5,900	0	3,800	2,000	1,000	6,800	900	-4,500	161,500		5.46	5.85	6.74
21-Sep-94	0	0	0	0	0	1,000	0	0	0	1,000	1,000	-3,500	162,500	5.13			
22-Sep-94	0	4,000	2,000	2,400	8,400	1,500	4,500	2,200	1,300	9,500	1,100	-2,400	163,600	5.04	5.39	5.96	6.79
29-Sep-94	0	4,100	1,900	0	6,000	0	4,300	2,200	1,200	7,700	1,700	-700	165,300		5.29	5.85	6.81

Reference Table VI *(cont'd)*

Fiscal 1994-95 Treasury bill program

	Maturing					New issues					Net increment			Average tender yields			
Date	CM	3 mo	6 mo	12 mo	Total	CM	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S	CM	3 mo	6 mo	12 mo
	(millions of dollars)													(per cent)			
06-Oct-94	1,500	3,400	1,800	2,400	9,100	0	4,500	2,200	1,300	8,000	-1,100	-1,800	164,200		5.29	5.84	6.61
13-Oct-94	1,000	4,400	1,800	0	7,200	0	4,400	2,200	1,200	7,800	600	-1,200	164,800		5.37	5.97	6.78
20-Oct-94	0	4,000	2,100	2,400	8,500	1,250	4,500	2,200	1,300	9,250	750	-450	165,550	4.84	5.46	6.05	6.84
27-Oct-94	0	3,900	2,100	0	6,000	2,500	3,600	1,900	1,100	9,100	3,100	2,650	168,650	4.97	5.37	6.05	6.92
03-Nov-94	5,250	2,700	1,500	2,500	11,950	0	3,000	1,400	1,100	5,500	-6,450	-3,800	162,200		5.40	6.08	6.89
10-Nov-94	0	3,800	1,600	0	5,400	0	2,600	1,300	1,100	5,000	-400	-4,200	161,800		5.56	6.23	7.15
17-Nov-94	0	3,000	2,000	2,500	7,500	0	3,400	1,700	1,100	6,200	-1,300	-5,500	160,500		5.65	6.23	6.99
24-Nov-94	0	4,500	2,400	0	6,900	0	4,200	2,100	1,200	7,500	600	-4,900	161,100		5.71	6.37	7.23
28-Nov-94	0	0	0	0	0	1,500	0	0	0	1,500	1,500	-3,400	162,600	5.26			
01-Dec-94	0	3,000	2,200	2,600	7,800	750	3,800	1,800	1,200	7,550	-250	-3,650	162,350	5.45	5.79	6.46	7.31
08-Dec-94	2,250	3,900	2,100	0	8,250	0	4,100	2,100	1,100	7,300	-950	-4,600	161,400		6.07	6.76	7.63
15-Dec-94	0	3,800	2,200	2,300	8,300	0	3,800	1,800	1,100	6,700	-1,600	-6,200	159,800		6.78	7.72	8.34
22-Dec-94	0	4,500	2,000	0	6,500	1,750	3,600	1,700	1,100	8,150	1,650	-4,550	161,450	5.61	6.79	7.47	8.26
29-Dec-94	0	4,300	2,000	2,200	8,500	0	3,700	1,800	1,100	6,600	-1,900	-6,450	159,550		7.18	8.11	8.84
05-Jan-95	1,750	4,500	1,700	0	7,950	0	3,400	1,700	1,100	6,200	-1,750	-8,200	157,800		6.87	7.71	8.53
12-Jan-95	0	4,400	2,200	2,500	9,100	750	3,800	1,900	1,100	7,550	-1,550	-9,750	156,250	6.03	7.00	7.98	8.63
19-Jan-95	0	4,500	2,100	0	6,600	0	3,800	1,900	1,100	6,800	200	-9,550	156,450		7.96	8.53	8.96
26-Jan-95	0	3,600	1,800	2,500	7,900	1,500	3,800	1,800	1,100	8,200	300	-9,250	156,750	7.32	8.13	8.52	8.80
27-Jan-95	0	0	0	0	0	1,500	0	0	0	1,500	1,500	-7,750	158,250	7.26			
02-Feb-95	2,250	3,000	1,300	0	6,550	0	3,500	1,700	1,100	6,300	-250	-8,000	158,000		7.98	8.47	8.77
09-Feb-95	1,500	2,600	1,800	2,200	8,100	1,500	3,500	1,600	1,100	7,700	-400	-8,400	157,600	7.58	7.67	7.90	8.10
16-Feb-95	1,500	3,400	1,600	0	6,500	0	3,300	1,600	1,100	6,000	-500	-8,900	157,100		7.82	8.13	8.31
23-Feb-95	0	4,200	2,200	2,400	8,800	2,500	3,900	1,900	1,100	9,400	600	-8,300	157,700	7.97	8.13	8.24	8.32
24-Feb-95	0	0	0	0	0	3,000	0	0	0	3,000	3,000	-5,300	160,700	8.06			
02-Mar-95	2,500	3,800	1,500	0	7,800	0	4,300	2,100	1,200	7,600	-200	-5,500	160,500		7.77	7.89	7.86
09-Mar-95	0	4,100	1,800	2,200	8,100	0	4,400	2,200	1,200	7,800	-300	-5,800	160,200		8.35	8.54	8.46
16-Mar-95	3,000	3,800	2,000	0	8,800	0	4,000	2,000	1,200	7,200	-1,600	-7,400	158,600		8.15	8.15	8.12
21-Mar-95	0	0	0	0	0	1,000	0	0	0	1,000	1,000	-6,400	159,600	7.88			
23-Mar-95	0	3,600	2,200	2,400	8,200	2,300	4,400	2,200	1,200	10,100	1,900	-4,500	161,500	8.12	8.15	8.19	8.16
27-Mar-95	0	0	0	0	0	1,250	0	0	0	1,250	1,250	-3,250	162,750	8.16			
30-Mar-95	0	3,700	2,200	0	5,900	0	4,300	2,100	1,200	7,600	1,700	-1,550	164,450		8.22	8.28	8.27

Source: Department of Finance.

Reference Table VII

Canada Savings Bonds, fiscal 1982-83 to fiscal 1994-95

Fiscal year	Gross sales during campaign	Net sales during campaign	Outstanding at fiscal year end
		(millions of dollars)	
1982-83	11,229	9,567	32,753
1983-84	11,584	8,761	38,403
1984-85	12,743	9,768	42,167
1985-86	15,107	10,157	44,607
1986-87	9,191	5,177	43,854
1987-88	17,450	14,913	52,558
1988-89	14,962	6,454	47,048
1989-90	9,338	3,121	40,207
1990-91	6,720	1,660	33,781
1991-92	9,588	4,733	35,031
1992-93	9,235	3,275	33,884
1993-94	5,364	842	30,866
1994-95	7,506	5,709	30,756

Sources: Department of Finance, Bank of Canada Review.

Reference Table VIII
Government of Canada interest rate swaps, fiscal 1994-95

Start date	End date	BA spread	Effective semi-annual fixed rate	Amount
		(basis points)	(per cent)	(millions of dollars)
21-Jun-94	1-Sep-99	40	9.533	100
1-Mar-95	1-Mar-00	22	8.945	100
1-Mar-95	1-Mar-00	23	8.940	200
1-Mar-95	1-Mar-00	23	8.988	100

Source: Bank of Canada.

Reference Table IX
Fiscal 1994-95 fixed-coupon bond program

Offering date	Delivery date	Maturity date	Maturing	Gross	Net
				(millions of dollars)	
Fixed-coupon bonds					
March 23	April 4	June 1, 2004	1,025	1,900	875
April 6	April 15	September 1, 1999		2,000	2,000
April 20	May 2	June 1, 2023		1,200	1,200
May 4	May 16	June 1, 2004	1,200	2,000	800
May 18	June 1	September 1, 1999		2,200	2,200
June 1	June 15	September 15, 1996	611	2,500	1,889
June 22	July 4	September 1, 1999		2,000	2,000
July 6	July 15	December 1, 2004	650	2,000	1,350
July 20	August 2	June 1, 2025		1,500	1,500
August 3	August 15	December 1, 2004		1,900	1,900
August 17	September 1	September 1, 1999		2,300	2,300
August 31	September 15	September 15, 1996	3,500	2,600	-900
September 21	October 3	March 1, 2000	3,000	2,300	-700
October 19	November 1	June 1, 2025		1,400	1,400
November 2	November 15	December 1, 2004		1,900	1,900
November 16	December 1	March 1, 2000		2,000	2,000
November 30	December 15	March 15, 1997	2,600	2,300	-300
January 18	February 1	June 1, 2025	1,100	1,000	-100
February 1	February 15	December 1, 2004		1,900	1,900
February 15	March 1	March 1, 2000	3,725	2,200	-1,525
March 1	March 15	March 15, 1997	3,800	2,500	-1,300
Real Return Bonds					
June 6	June 21	December 1, 2021		400	400
August 24	September 15	December 1, 2021		500	500
November 29	December 15	December 1, 2021		500	500
January 23	February 2	December 1, 2021		350	350
Total, fiscal year 1994-95			21,211	43,350	22,139

Source: Department of Finance.

Reference Table X
Outstanding Government of Canada fixed-coupon bonds as at March 31, 1995

Maturity	Amount outstanding	Coupon rate
	(millions of dollars)	(per cent)
Fixed-coupon bonds		
01-Apr-1995	1,350	11.25
01-Jun-1995	3,100	10.50
15-Sep-1995	4,300	6.25
01-Oct-1995	100	6.50
01-Oct-1995	652	10.00
01-Nov-1995	1,500	8.25
15-Dec-1995	3,050	10.75
01-Feb-1996	3,500	6.00
01-Mar-1996	2,600	10.25
15-Mar-1996	4,900	4.75
01-May-1996	3,300	9.25
01-Jun-1996	2,175	8.75
01-Aug-1996	3,800	6.50
15-Sep-1996	55	3.00
15-Sep-1996	5,100	7.75
01-Oct-1996	3,425	9.25
01-Mar-1997	3,400	8.25
15-Mar-1997	4,800	8.00
15-May-1997	876	9.25
01-Jul-1997	4,200	7.50
01-Oct-1997	2,775	9.75
01-Feb-1998	6,600	6.25
15-Mar-1998	197	3.75

Reference Table X *(cont'd)*
Outstanding Government of Canada fixed-coupon bonds
as at March 31, 1995

Maturity	Amount outstanding	Coupon rate
	(millions of dollars)	(per cent)
15-Mar-1998	2,225	10.75
01-Sep-1998	6,800	6.50
01-Oct-1998	3,100	9.50
01-Dec-1998	2,275	10.25
01-Mar-1999	6,700	5.75
01-Sep-1999	8,500	7.75
15-Oct-1999	528	9.00
01-Dec-1999	2,825	9.25
01-Dec-1999	400	13.50
01-Mar-2000	6,500	8.50
15-Mar-2000	1,050	13.75
01-May-2000	1,575	9.75
01-Jul-2000	2,900	10.50
01-Jul-2000	175	15.00
01-Sep-2000	1,200	11.50
15-Dec-2000	500	9.75
01-Feb-2001	425	15.75
01-Mar-2001	3,175	10.50
01-May-2001	1,325	13.00
01-Jun-2001	3,550	9.75
01-Oct-2001	1,233	9.50
01-Dec-2001	3,850	9.75
01-Feb-2002	213	8.75
15-Mar-2002	350	15.50

Reference Table X *(cont'd)*
Outstanding Government of Canada fixed-coupon bonds
as at March 31, 1995

Maturity	Amount outstanding	Coupon rate
	(millions of dollars)	(per cent)
01-Apr-2002	5,450	8.50
01-May-2002	1,850	10.00
15-Dec-2002	1,625	11.25
01-Feb-2003	2,700	11.75
01-Jun-2003	6,900	7.25
01-Oct-2003	671	9.50
01-Dec-2003	8,800	7.50
01-Feb-2004	2,200	10.25
01-Jun-2004	7,900	6.50
01-Jun-2004	550	13.50
01-Oct-2004	875	10.50
01-Dec-2004	7,700	9.00
01-Mar-2005	1,775	12.00
01-Sep-2005	1,375	12.25
01-Dec-2005	1,900	8.75
01-Mar-2006	975	12.50
01-Oct-2006	1,025	14.00
01-Mar-2007	325	13.75
01-Oct-2007	700	13.00
01-Mar-2008	750	12.75
01-Jun-2008	3,450	10.00
01-Oct-2008	725	11.75
01-Mar-2009	400	11.50
01-Jun-2009	925	11.00

Reference Table X *(cont'd)*
Outstanding Government of Canada fixed-coupon bonds
as at March 31, 1995

Maturity	Amount outstanding	Coupon rate
	(millions of dollars)	(per cent)
01-Oct-2009	1,300	10.75
01-Mar-2010	325	9.75
01-Jun-2010	2,975	9.50
01-Oct-2010	325	8.75
01-Mar-2011	1,975	9.00
01-Jun-2011	750	8.50
15-Mar-2014	3,150	10.25
01-Jun-2015	2,350	11.25
15-Mar-2021	1,800	10.50
01-Jun-2021	4,650	9.75
01-Jun-2022	2,550	9.25
01-Jun-2023	8,200	8.00
01-Jun-2025	3,900	9.00
Real Return Bonds		
01-Dec-2021	4,475	4.25

Source: Department of Finance.

Reference Table XI

Crown corporation market borrowings
(at March 31, except where indicated)

Corporation	1988	1989	1990	1991	1992	1993	1994	December 31, 1994
					(millions of dollars)			
Export Development Corporation	5,257	5,198	5,802	5,685	6,220	6,983	7,793	7,472
The Canadian Wheat Board	3,798	3,767	4,354	6,449	7,323	6,966	7,283	6,904
Federal Business Development Bank	1,916	2,065	2,299	2,271	2,249	2,352	2,602	2,708
Farm Credit Corporation	1,328	1,328	1,216	1,128	813	797	863	917
Canadian National Railway System	2,526	1,715	1,716	1,861	1,803	1,905	2,249	2,234
Canada Mortgage and Housing Corporation	–	–	–	–	96	152	1,573	3,410
Canada Eldor Inc.	626	525	566	612	713	594	473	–
Petro-Canada Limited	1,369	2,097	2,450	1,656	980	455	501	483
Petro-Canada	–	–	–	718	–	–	–	–
Canada Ports Corporation	–	–	–	–	200	188	–	–
Air Canada	1,430	–	–	–	–	–	–	–
Canada Deposit Insurance Corporation	497	–	–	–	–	–	–	–
Other	44	41	42	98	96	97	239	44
Total	18,790	16,737	18,447	20,479	20,398	20,489	23,576	24,371

Sources: Receiver General, *Public Accounts of Canada*; Public Works and Government Services Canada, *Summary Quarterly Financial Statements of Crown corporations*.

Reference Table XII

Crown corporation borrowings from the Consolidated Revenue Fund
(at March 31, except where indicated)

Corporation	1988	1989	1990	1991	1992	1993	1994	December 31, 1994
	(millions of dollars)							
Canada Mortgage and Housing Corporation	9,151	8,879	8,678	8,484	8,419	8,181	8,075	7,978
Canada Deposit Insurance Corporation	1,334	1,695	1,375	1,225	1,785	3,085	3,151	2,549
Farm Credit Corporation	3,483	3,253	2,549	2,432	2,491	2,420	2,488	2,632
Other	1,313	1,218	1,106	934	975	819	415	1,074
Total	15,281	15,045	13,708	13,075	13,670	14,505	14,129	14,233

Note: Figures do not include “allowance for valuation”.

Sources: Receiver General, *Public Accounts of Canada*; Public Works and Government Services Canada, *Summary Quarterly Financial Statements of Crown corporations*.

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Government
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Debt Operations Report

November 1996

Canada

Debt Operations Report

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Department of Finance Canada
Ministère des Finances Canada

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INTRODUCTION

The Fiscal Context

The management of the federal debt is an issue that affects all Canadians. At the end of March 1996, federal debt totalled $623 billion, or $574 billion net of the government's financial assets. The annual cost of servicing this debt is currently almost one-third of total federal spending. Due to the composition of the debt stock, variations in interest rates can significantly affect total debt costs. The size of the debt underscores the need not only to manage the debt wisely, but also to control public spending. The government is taking concerted action to improve the government's financial situation by reducing the deficit sharply, and putting the debt-to-GDP ratio on a downward track.

The government's fiscal actions have already substantially reduced the deficit. The deficit for 1994-95 was $37.5 billion, $4.5 billion lower than the 1993-94 deficit of $42.0 billion. The deficit declined further in 1995-96 by $8.9 billion to $28.6 billion. This is the second consecutive year that the deficit has bettered the target. For 1996-97, the deficit results to date are consistent with the target of $24.3 billion, or 3 per cent of GDP. That will cut the deficit in relation to the size of the economy to half of its 1993-94 level. The deficit target for 1997-98 of $17 billion, or 2 per cent of GDP, also remains on track.

As a result of the fiscal actions taken in recent budgets, the federal debt in relation to the total economy (GDP) is expected to decline from 75.1 per cent in 1996-97 to 74.0 per cent in 1997-98, the first meaningful decline in over 20 years. These actions will also reduce the burden of government borrowing in financial markets, lowering financial requirements from $25.8 billion in 1994-95 to $6.0 billion in 1997-98.

In *The Economic and Fiscal Update* (October 9, 1996), the Minister of Finance announced that the deficit target for 1998-99 will be $9 billion, or about 1 per cent of GDP. This means that financial requirements will be eliminated by 1998-99. The last time financial requirements were this low was in 1969-70.

Nevertheless, public debt charges, at an annual cost of $46.9 billion, continue to be the single largest government spending item, representing 29.5 per cent of total spending in 1995-96. The operating surplus is expected to increase from $18.3 billion in 1995-96 to $33.5 billion by 1997-98. This means that, were it not for interest payments on the debt, the federal government would now be in a large surplus position.

In this context, prudent management of the public debt is of crucial importance to Canada. It is an important component of the government's reforms to get Canada's financial house in order.

Highlights of the Report

The *Debt Operations Report* outlines the key elements of the current federal debt management strategy and describes various strategic and operational aspects of the government's domestic and foreign debt programs as well as cash management activities over the past fiscal year.

Federal Debt Management Strategy

Domestic Debt Program – Canada's primary debt management objective is to provide stable, low-cost funding for the government. Canada follows several principles in its debt strategy. These include raising all funding for the government's operations in the domestic market; maintaining a well-functioning market in Government of Canada securities; funding in a regular, pre-announced manner; and managing the debt stock prudently in view of potential interest rate volatility. The government's current debt strategy seeks to: lower debt charges by enhancing the liquidity and transparency of the market; improve the stability of debt charges by reducing its reliance on short-term debt; maintain active relations with investors and credit rating agencies; and to develop a retail debt program to further diversify the investor base.

Foreign Currency Financing – Foreign currency borrowings are used solely to fund Canada's foreign exchange reserves, and are currently denominated exclusively in U.S. dollars. The 1996-97 budget announced Canada's intention to increase modestly the level of foreign exchange reserves which, at the time of the budget, stood at U.S. $14.7 billion.

Retail Debt Strategy – Canada Investment and Savings

Retail distribution of Government of Canada securities is an important component of the federal government's strategy to diversify its investor base. Canada Investment and Savings (CI&S) is the agency responsible for developing and executing the marketing strategy, product requirements and distribution for the retail component of the federal government's debt program. The goal of CI&S is to reinvigorate the sale of Government of Canada securities to individual Canadians. CI&S is planning to develop new products aimed at meeting needs that are not currently served by the market. The agency will also strive to improve the distribution of Government of Canada securities to individuals.

Debt Operations in 1995-96

Canada issued $28.5 billion of new market debt over the fiscal year, bringing total market debt to $466.1 billion by March 31, 1996. Market debt accounts for about 75 per cent of gross federal debt. The remainder (about 25 per cent) comes from internal sources, principally from the various public service pension plans.

Canadian dollar market debt instruments include marketable bonds (conventional fixed-coupon bonds and real return bonds), Treasury bills, and Canada Savings Bonds. Foreign currency market debt instruments include foreign bonds, short- and medium-term note programs and cross-currency interest rate swaps. Outstanding foreign currency liabilities are small in relation to total market debt (4 per cent in 1995-96).

As a result of the debt program's emphasis on debt in fixed-rate form, the proportion of the total outstanding stock of federal debt at fixed rates increased from 55 per cent to 57 per cent during 1995-96.[1]

Key features of the 1995-96 debt program include:

- an increase in the average size of Government of Canada fixed-coupon bond auctions to $2.2 billion, up about $220 million per issue from fiscal 1994-95, and an increase in target benchmark bond sizes;
- new initiatives in the Real Return Bond (RRB) market, including the introduction of an auction format for the sale of the bonds, the introduction of a new RRB maturity, and the development of an RRB marketing program;
- a new Canada Savings Bond (CSB) option which allows individuals for the first time to purchase CSBs directly in the form of a Registered Retirement Savings Plan;
- two U.S. dollar fixed-rate foreign bond issues totalling U.S. $3.0 billion; and
- the launch of a U.S. medium-term notes program (Canada notes).

Who holds the federal debt

The distribution of domestic holdings of Government of Canada market debt has shown some important changes over the last decade. Of note is the decline in the share of the personal sector – to 14 per cent from over 40 per cent a decade earlier. The main reason is the fact that Canada Savings Bonds, which may be held only by individuals, have been declining as a proportion of total outstanding debt. Chartered banks account for the largest share of domestically held Treasury bills, while insurance companies and pension funds have the largest holdings of Government of Canada marketable bonds.

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[1] The fixed-rate percentage calculation excludes non-interest bearing liabilities such as accounts payable, accruals, matured debt and allowances and provisions.

A significant portion of federal debt is held by foreign investors. Non-resident holdings of the Government of Canada's outstanding market debt are estimated to have reached $117.7 billion at the end of March 1996 and represent 25 per cent of the government's total market debt, up from 12 per cent a decade ago, but down from the peak level of 27 per cent in 1992-93. Approximately one-third of foreign-held Government of Canada debt rests with U.S. investors, while the remainder is divided between Europe, Japan, and other overseas investors. There is some evidence that in the past year, the share of Canadian debt held by Japanese investors decreased while the share held by European investors increased.

Structure of the Report

The Report is organized as follows: Section 1 describes the major themes and key elements of current federal debt management strategy. Section 2 presents the initiatives being undertaken by Canada Investment and Savings. Section 3 presents the results of the fiscal year 1995-96 debt program. Section 4 documents borrowings by federal Crown corporations. Section 5 describes the distribution of holdings of Government of Canada debt and the changes in those holdings over time. The Report also includes technical annexes related to Government of Canada debt instruments, and reference tables containing historical data on the federal debt.

1. FEDERAL DEBT MANAGEMENT STRATEGY

Debt Management Objective

Canada's debt management objective is to provide stable, low-cost funding for the government.

Principles

Due to the large size of Canada's debt stock, the government needs to borrow continuously and has limited flexibility in its operations. Several key principles underlie Canada's debt strategy:

- all funding required for the government's operations is raised in the domestic market to limit risk and to benefit from the government's inherent advantage as the premier credit in the market;
- a well-functioning market in Government of Canada securities is maintained to achieve lower debt costs. The government focuses on three key attributes in the market: *liquidity* (high turnover and tight bid/offer spreads), *transparency* (open strategy and operations), and *efficiency* (reduced transaction costs);
- the government borrows on a regular, pre-announced basis. Debt management decisions are not tied to macroeconomic policy or views with respect to the level of interest rates; and
- the debt stock is structured prudently to ensure cost stability in view of potential interest rate volatility.

Debt Management Strategy

To achieve the government's objective of stable, low-cost funding, the debt strategy has the following key elements:

- undertaking market initiatives, making adjustments in the debt program and maintaining a broad investor base to enhance the liquidity, transparency and efficiency of the market and to reduce debt charges;
- increasing the fixed-rate portion of the debt from its current level of 57 per cent to the target of 65 per cent to bring greater stability to debt servicing costs;
- maintaining active relations with investors and credit rating agencies; and
- continuing the development of a retail debt program to provide Canadians with greater opportunities to invest in a family of Government of Canada debt products.

Following are detailed descriptions of the key components of current federal debt strategy.

Market Development

The success of the federal debt management strategy is highly dependent on a well-functioning domestic capital market. Traders and investors prefer capital markets which are transparent, liquid and efficient. As a result, such markets produce the lowest costs for borrowers. In Canada's case, the large size of the debt relative to the domestic savings base makes it essential that federal government securities be attractive investments to both domestic and foreign investors. The government's market development initiatives fall into two categories:

- making continuous improvements in the federal debt program; and
- providing active support for broader market initiatives.

Table 1 gives a summary of major initiatives.

Table 1
Major initiatives undertaken to promote efficient Canadian capital markets

Federal Debt Program
Building large benchmark issues
Implementing a transparent debt strategy and regular bond calendar
– announcement of auction maturities in advance
– quarterly two-, three-, five-, ten- and thirty-year auctions
– quarterly single-price Real Return Bond auctions
Using common coupon dates
Book-based electronic clearing and settlement
Domestic Market
Removal of tax limitations on cross-border repo transactions
Promoting the development of Government of Canada bond and bill futures contracts and strip and swap markets
Supporting improved market-price transparency and book-based systems

Federal Debt Program Initiatives

A transparent debt strategy, pre-announcing auction calendars and building large bond benchmarks are key elements in improving the liquidity, transparency and efficiency of the Canadian bond market.

Annual debt strategy and quarterly auction schedule announcements are made to increase the market's knowledge about future debt operations and promote efficiency in the market. The debt strategy announcement includes the target for the fixed share of the debt and changes made in the design of the debt program. The 1996 debt strategy press release announced the following:

- an increase in benchmark bond sizes;
- three-year bond auctions four times per year, becoming part of the quarterly bond auction schedule;

- regular quarterly auctions of all benchmark maturities, including Real Return Bonds (RRBs); and
- the use of the quarterly press release to announce the term of all auctions in advance.

It was also indicated that, with the achievement of the target of a 65 per cent debt stock in the next few years, the stock of Treasury bills would decline in size by approximately 25 per cent in that time frame.

Over the past five years, the government has pursued a strategy of building large benchmarks at several maturities through frequent reopenings. The target sizes of the benchmarks have been increased periodically and are announced on an annual basis. The benchmark bond targets for 1996-97 were increased by $1 billion. Table 2 shows the current targets.

Table 2
Target benchmark sizes for Government of Canada bonds

Benchmark	Target range Fiscal 1996-97
	(billions of dollars)
2-year	$5 – 7
3-year	$5 – 7
5-year	$7 – 10
10-year	$7 – 10
30-year	$7 – 10

Source: Department of Finance.

The government also promotes innovation in financing instruments on an ongoing basis to ensure that the debt program design is appropriate and as cost-effective as possible. In 1995-96, the Department of Finance and the Bank of Canada have jointly undertaken an RRB marketing campaign directed at pension fund sponsors. The objective of the campaign is to improve the understanding of the unique nature and benefits of RRBs, which are both a cost-effective financing instrument for the government and a valuable inflation-immunization asset for investors. They also provide a signal of investors' inflation expectations. The recent decision to issue six-month bills in two consecutive weekly auctions with a common maturity date, as was done earlier for one-year Treasury bills, is another example of adapting the debt program to the evolving needs of the market.

Domestic Market Initiatives

Beyond the design and implementation of the federal debt program, the government pursues greater liquidity and efficiency through support of private-sector initiatives in the domestic fixed-income market.

In particular, the Department of Finance and the Bank of Canada have worked with the Montreal Exchange and the investment community in further developing a domestic Government of Canada futures market. There is a highly liquid futures contract based on three-month Bankers' Acceptance rates (the BAX contract) and a relatively active ten-year Government of Canada bond futures contract (the CGB contract).

The government has also provided support for the development of a screen-based information system on the secondary market in Government of Canada securities (CanPX). A joint initiative of the Investment Dealers Association (IDA) of Canada and the Inter-Dealer Brokers Association (IDBA), CanPX was approved by the Ontario Securities Commission (OSC) in May 1996. When implemented, the system is expected to vastly improve price transparency and market efficiency by providing investors with real time prices and trading activity in the broker market. In time, CanPX is intended to be broadened to include benchmark provincial and corporate securities.

The efficiency of the Canadian market has been improved through the placement of Government of Canada bills and bonds on an electronic clearing and settling system. Federal government bonds were placed on the Canadian Depository for Securities' Debt Clearing System (DCS) in 1994, and Treasury bills were put on DCS in November 1995.

The DCS also helped the development of the stripped Government of Canada bond market by providing separate CUSIP (Committee on Uniform Security Identification Procedures) numbers for each cash flow and allowing reconstitution of cash flows back into conventional bonds. Stripping of bonds provides targeted assets for investors and also reduces price anomalies along the Government of Canada yield curve, increasing trading volumes and liquidity.

The introduction of the DCS has also helped reduce transactions costs for repurchase agreements (repos) involving Government of Canada bonds and Treasury bills. Repos are used by market participants as short-term financing and investment instruments. They allow dealers to finance inventories and investors to increase the yield on their portfolio or to cover short positions. The removal of Canadian withholding tax on most cross-border repo transactions in May 1993 contributed to a significant increase in repo trading – from a weekly average of $153 billion in the first quarter of 1994 to $230 billion by the first quarter of 1996.

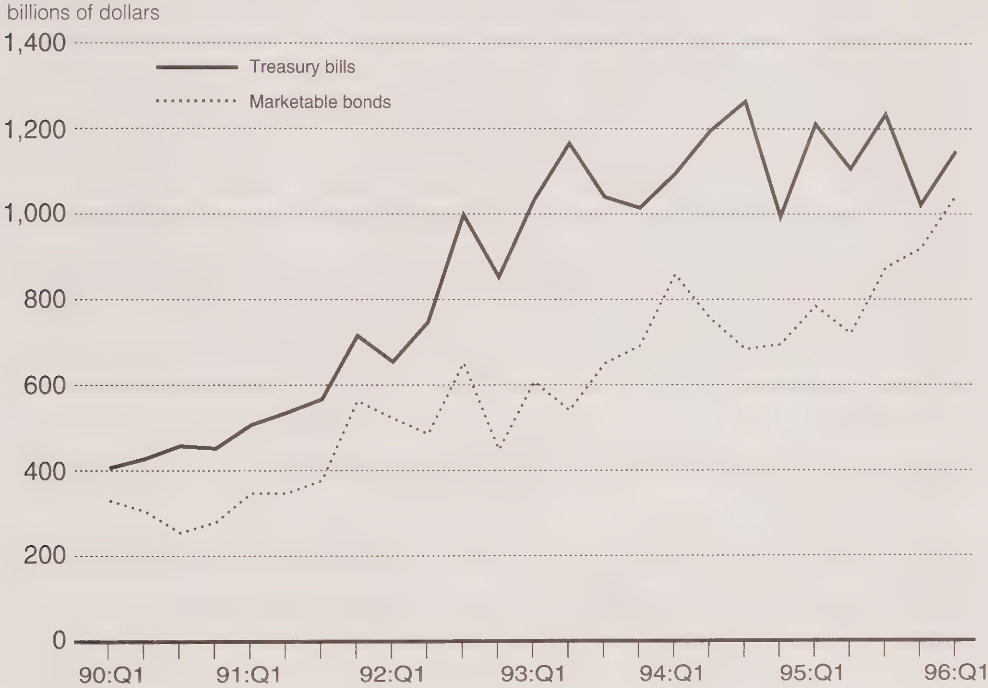
Market Development Achievements

The government's efforts to improve the market over the last several years have helped make Canada's fixed-income market one of the most efficient in the world. One indicator of the efficiency of Canada's financial markets is the trading spreads for instruments (i.e. the difference between the yields at which instruments are offered for sale and for purchase). Trading spreads for Government of Canada Treasury bills and benchmark bonds compare favourably to those of other major international capital markets.

Another indicator of the liquidity of the market is the volume of transactions. Volumes of transactions in the Government of Canada bond market are estimated to have grown by some 316 per cent from $330 billion in the first quarter of 1990 to $1,043 billion in the first quarter of 1996. Similarly, in the Treasury bill market, volumes have grown by approximately 283 per cent from $405 billion in the first quarter of 1990 to $1,147 billion in the first quarter of 1995 (see Chart 1). Again in proportionate terms, turnover ratios (volume of transactions divided by the stock) in the Canadian markets compare favourably with those of other countries with highly developed capital markets (see Chart 2).

Chart 1

Quarterly domestic Treasury bill and marketable bond turnover[1]



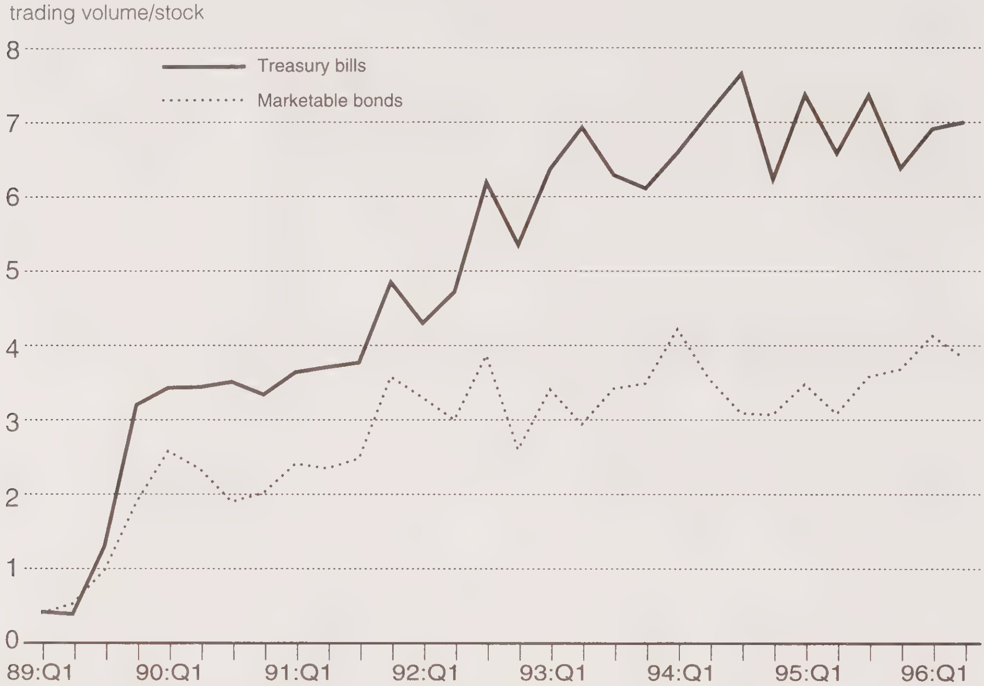
[1]Figures represent total trading volume in each quarter.

Source: Bank of Canada.

Auction statistics also provide a measure of market performance. Auction coverage ratios (total bids divided by the size of an issue) indicate the depth of the primary market for Government of Canada securities. Coverage may vary according to size and term to maturity, but generally a coverage ratio greater than two indicates good auction performance. The "tail" (difference between the highest accepted yield and the average yield at the auction) also gives a measure of market performance – a tight tail would demonstrate a high level of demand for a particular auction.

Chart 2

Domestic Treasury bill and marketable bond turnover ratio[1]



[1]Figures represent total trading volume in each quarter divided by the stock of Treasury bills or marketable bonds as appropriate.

Source: Bank of Canada.

Table 3 summarizes these market performance statistics for Canada over the 1995-96 fiscal year.

Table 3

1995-96 market performance statistics for Treasury bills and benchmark bonds

	Treasury bills	< 3-year bonds	3-10 year bonds	> 10-year bonds	Total bonds
Bid/ask spread (in basis points)	2-3	2-3	1-3	1	1-3
Volume of transactions ($billions)	4,510	1,141	1,854	554	3,549
Turnover ratio	27.23	15.55	16.00	9.96	14.47
Average auction coverage ratio	2.35	2.26	2.29	2.14	2.26
Average auction tail (basis points)	1.21	0.75	1.32	1.96	1.21

Source: Bank of Canada.

Reducing Sensitivity to Interest Rate Fluctuations

Establishing a prudent debt structure is essential to maintaining investor and credit-rating agency confidence, and key to restoring Canada to a sound financial position. This year's debt strategy continues to focus on the high floating-rate[2] share of Canada's very large debt, recognizing that market volatility arises from events both inside Canada and from the rest of the world which can have significant effects on Canadian interest rates and the government's fiscal position. Canada's reliance on short-term funding has been noted as a concern by market participants and credit rating agencies. A further consideration is the fact that, in comparative terms, the share of floating-rate debt in Canada is high compared to that of other major sovereigns. In a stable macroeconomic environment with low inflation, a higher floating-rate structure could result in lower debt costs over time. However, there are a number of plausible scenarios for interest rates, including short-term shocks and long-term yield curve inversions, where a more floating-rate structure would result in higher debt charges. Given the government's high level of exposure to interest rate risk, prudent management calls for giving significant weight to those scenarios where debt costs can increase.

The reduction of long-run interest rate risk exposure has been a central feature of debt strategy since 1989. In 1988-89, half of the debt was at fixed rates, and debt managers recognized that the government faced significant exposure to interest rate risk. Since that time, particularly from 1992-93 and onwards, substantial progress has been made in turning the situation around; currently 57 per cent of the debt is at fixed rates. (Chart 3 shows the fixed-rate portion of the debt over the last 15 years.) This structure will protect the government against significant increases in debt interest costs arising from interest rate shocks, but will still allow the government to obtain benefits from fiscal and monetary policies which are designed to produce lower interest rates.

The medium-term target of 65 per cent fixed was set last year. Given the market's ability to absorb ever-larger bond programs and the decline in new financing requirements, it is expected that the target will be achieved as soon as two years from now. Under the new structure, the size of the Treasury bill stock will decline by about 25 per cent within the same time frame.

[2] Floating-rate debt is generally defined as debt that will mature or debt for which the interest rate will reset within one year. This includes Treasury bills, Canada Savings Bonds, as well as any other securities including marketable bonds and pension plan bonds which will be maturing within one year.

Chart 3

Fixed-rate share of total debt, 1981-82 to 1995-96[1]

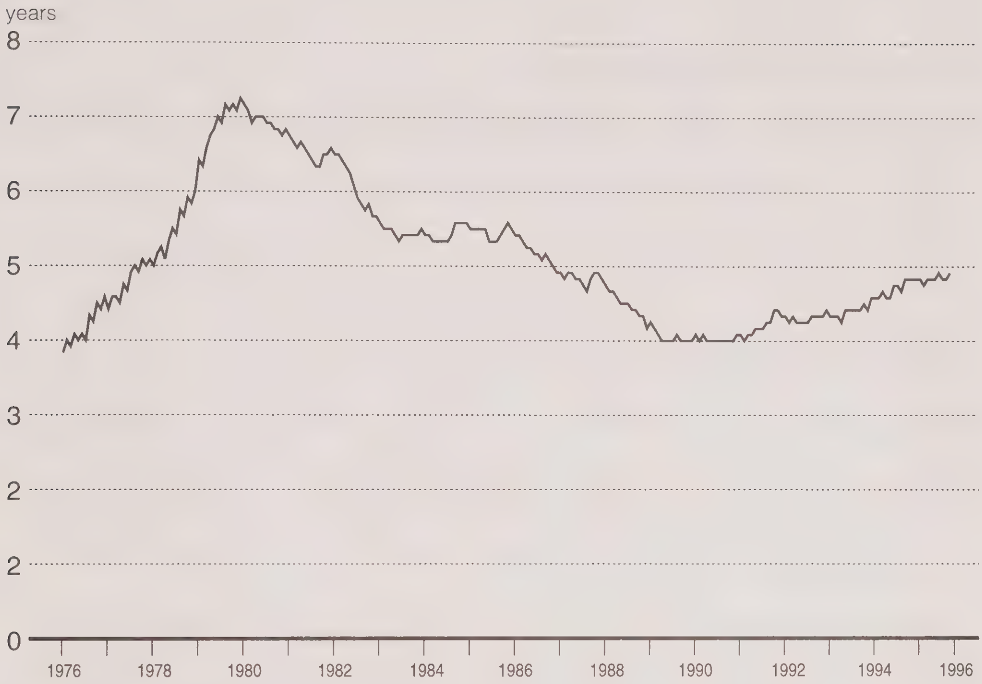
[1]Definition of fixed-rate debt may vary slightly from year-to-year to accommodate changes in the debt structure.

Source: Department of Finance.

Consistent with a higher fixed-rate debt stock, the average term to maturity (ATM) of the debt stock will be lengthened. The ATM of the outstanding Government of Canada marketable debt reached a low of four years in 1989-90, as a large proportion of deficits in the preceding decade was financed by Treasury bills. Since 1992-93, however, as a consequence of the government's strategy to issue a higher proportion of longer-term debt, the marketable debt ATM has increased, reaching a level of 5.0 years at the end of fiscal 1995-96 (see Chart 4).

Chart 4

Average term to maturity of outstanding marketable debt



Source: Bank of Canada.

Investor Relations and Rating Agencies

The Investor Relations Program enhances the Department of Finance's ongoing dialogue with investors, helping Canada to maintain its status as a preferred investment location. The overriding objective of the program is to provide information to major investors around the world and get feedback from them about investing in Canada. This is accomplished by ensuring timely distribution of information on Canada's economic and fiscal outlook, providing regular dialogue with domestic and international investors, and arranging annual investor missions to Canada from major capital markets. Internationally, the program relies on Canada's Finance Counsellors stationed in major capital market centres for developing and maintaining links with the international investment community.

One highlight from this year's program was a second successful round of post-budget visits, led by senior economic Ministers who spoke to and heard from investors in New York, London, and Tokyo. These sessions were very useful in maintaining international investors' focus on Canada's improved fiscal situation, strong economic fundamentals, and improved economic competitiveness. Also notable this past year was an investor mission from Japan – organized by the Finance Counsellor in Tokyo – which met with governments and firms across the country.

The Department of Finance continues to maintain close contact with rating agencies, providing regular in-depth reviews of the federal government's fiscal planning and the Canadian economic outlook.

Foreign Exchange Reserves

In his March 1996 budget, the minister announced his intention to increase modestly the level of foreign exchange reserves which stood at U.S. $14.7 billion at the time. Higher reserve levels are in keeping with the growth of activity in the foreign exchange markets and will bring Canada more into line with comparable sovereigns. The level of reserves is being raised through the selective issuance of foreign-denominated debt and by swapping Canadian dollar debt, with the proceeds of these operations used to fund Exchange Fund Account (EFA) investments (the EFA is a reserve of foreign currencies which the Bank of Canada uses from time to time on behalf of the government to maintain orderly markets for the Canadian dollar). Foreign borrowing is used only for this purpose and not to fund domestic operations of the government. Even with the plan to raise foreign exchange reserves modestly, Canada's foreign currency debt remains small in comparison to its Canadian dollar debt (foreign currency debt was 4 per cent of total market debt as of March 31, 1996).

Canada is a relatively scarce name in foreign debt markets, adding "rarity value" to Canadian issues. Limited foreign funding requirements also allow Canada to be a more opportunistic borrower in foreign markets (in contrast to the domestic program), by being selective about the timing and size of its foreign debt issuance depending on market conditions.

The major objective of Canada's reserve financing program is to strike a balance between minimizing the cost and risk of carrying reserves, and achieving a term structure which reduces the need to constantly refinance liabilities. The government's plan is to raise funds at a variety of maturities, with emphasis on reducing annual refinancing. A further objective is to build and maintain a broad investor base.

The government raises foreign currency debt through a growing variety of flexible alternatives. Funding sources include the issuance of short-term debt in the U.S. domestic market through the Canada Bills Program and Canada Notes (U.S. MTN) Program, longer term fixed and floating rate bonds, and cross currency interest rate swaps.

In recent months, a U.S. domestic MTN program, called Canada notes, has been initiated and used to raise over U.S. $1 billion. A swap of one of the government's domestic bonds has been arranged, providing U.S. $500 million, and two U.S. $1 billion global bond issues (one 5-year and one 10-year) were brought to market. All of these initiatives have been well received by the market, and the bond issues occasioned widespread commentary in the market on the greatly improved economic and fiscal fundamentals in Canada. In future months, a EuroMedium Term Note (EMTN) program will also be launched to diversify further the government's financing options.

2. RETAIL DEBT STRATEGY: CANADA INVESTMENT AND SAVINGS

Retail distribution of Government of Canada securities is an important component of the federal government's strategy to diversify the investor base. Encouraging a broad investor base within Canada promotes cost-effective and efficient debt management.

As part of the February 1995 budget, the federal government announced the launch of a new retail debt program, with the objective of providing individual Canadians with better access to Government of Canada securities. The Canada Retail Debt Agency (CRDA) was established shortly thereafter, in August 1995, as a Special Operating Agency within the Department of Finance. On September 19, 1996 the CRDA was renamed Canada Investment and Savings (CI&S). The agency has overall responsibility for developing and executing the marketing strategy, product requirements and distribution for the retail component of the federal government's debt program.

The effort to reinvigorate the government's retail debt program responds to competitive forces which have resulted in significant changes in the retail savings and investment market over the past decade. Financial institutions have seen consumers shift from savings deposit instruments to higher-yielding instruments and mutual funds. Provincial governments, meanwhile, have been more active in promoting their retail offerings.

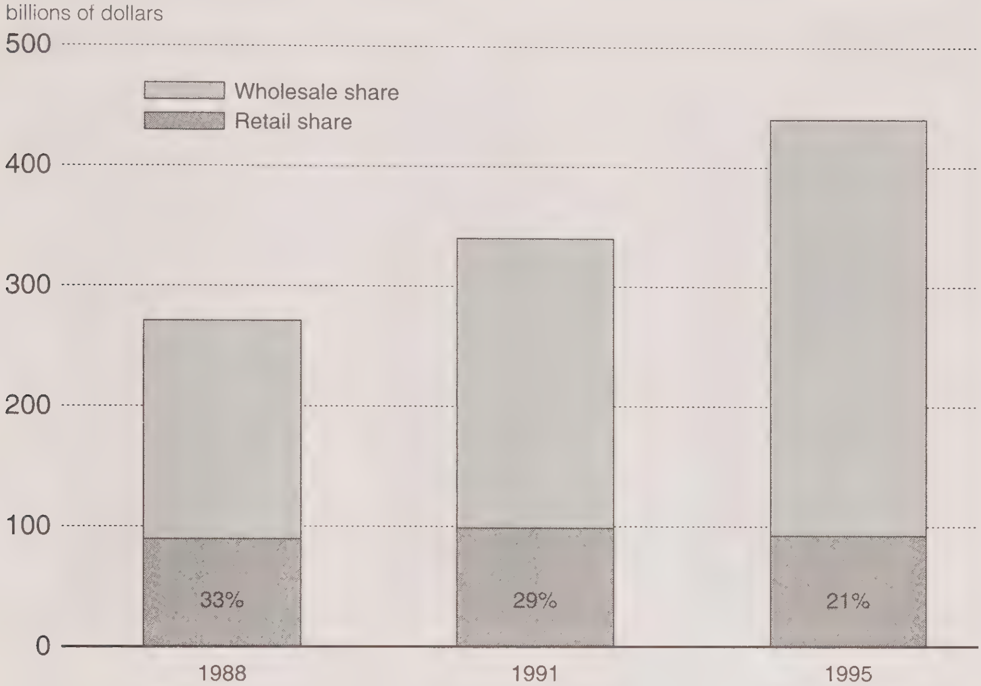
As Chart 5 illustrates, the retail share of the federal government's market debt has fallen from 33 per cent in 1988 to 21 per cent in 1995. Chart 6 shows that CSB sales over the same period declined by 40 per cent in relation to other debt instruments offered by the federal government.

The immediate goal of CI&S is to take action to stop the decline in retail holdings of federal securities. The agency then plans to apply its experience to establish reasonable and realistic longer-term targets for increasing the retail share of Government of Canada debt.

CI&S plans to develop and promote a family of products, including new products aimed at meeting needs that are not currently served by the market. In addition, the agency will also concentrate on facilitating access to government debt obligations by improving current distribution channels and developing new ones. In particular, new, more flexible partnership opportunities with financial institutions will be explored.

Chart 5

Retail and wholesale share of Government of Canada market debt



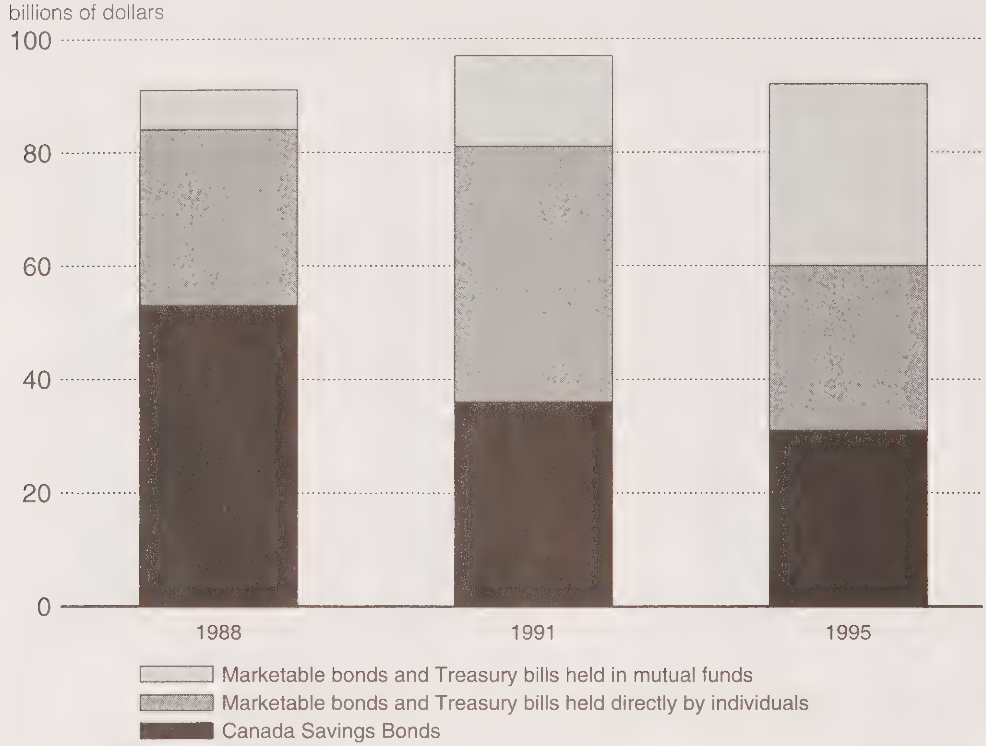
Source: Bank of Canada and Department of Finance.

A number of key steps have already been taken to reinvigorate the government's retail debt program. Two years ago, the government announced its enhanced CSB, with the three-year pricing feature aimed at making CSBs more competitive in an upward-sloping yield curve environment. Last year, the government established the retail agency, and introduced a new CSB option for Registered Retirement Savings Plans. The 1996 issue of Canada Savings Bonds enhances the product further by offering guaranteed minimum annual interest rates for 10 years, compared to 3 years in the previous two issues. CI&S is developing its business strategy and laying the groundwork for a number of initiatives in the coming year, including the introduction of a new RRSP product in February 1997.

In April 1996, Jacqueline C. Orange was appointed as the agency's founding President and Chief Operating Officer. The agency, now headquartered in Toronto, is a small, business-oriented organization with the flexibility to react in today's quickly changing marketplace.

Chart 6

Retail holdings of Government of Canada market debt



Source: Bank of Canada and Department of Finance.

3. Government of Canada debt management operations and cash management – 1995-96

Overview

The federal government's market debt totalled an estimated $466 billion on March 31, 1996 – up from $438 billion one year earlier.

The Government of Canada issued $28.5 billion of domestic market debt (net of maturing securities) during the 1995-96 fiscal year: $25.5 billion in fixed-coupon marketable bonds; $1.4 billion in Real Return Bonds; and $1.6 billion in Treasury bills. The stock of Canada Savings Bonds increased by $45 million over the 1995-96 fiscal year.

In addition, the government issued $1.7 billion in foreign currency bonds (net of maturing securities), and $0.3 billion in Canada notes. The stock of Canada bills declined by $2.0 billion, leaving the total outstanding foreign currency debt unchanged.

Table 4 shows the new issuance and outstanding stock of all of these market debt instruments as of March 31, 1996.

Table 4
Government of Canada market debt: March 31, 1996

		New issues in 1995-96 (billions of Canadian dollars)		
Instrument	Stock as of March 31, 1996	Gross issues	Maturing securities	Net issues
Denominated in $ Canadian				
Fixed-coupon bonds	246.6	50.6	25.1	25.5
Real Return Bonds	5.8	1.4	0.0	1.4
Treasury bills	166.1	390.3	388.7	1.6
Canada Savings Bonds	30.8	4.6	4.6	0.0
Denominated in $ U.S.[1]				
Foreign currency bonds	9.5	4.1	2.4	1.7
Canada bills	7.0	23.5	25.5	-2.0
Canada notes	0.3	0.3	0.0	0.3
Total	**466.1**	**474.8**	**446.3**	**28.5**

[1] Amounts shown are Canadian dollar equivalents.

Source: Bank of Canada (numbers may vary slightly from Public Accounts due to differences in classification methods).

The government also borrowed internally an estimated $7.6 billion in 1995-96 (excluding current liabilities), principally from government employee pension plans.

As a result of the debt program's emphasis on debt in fixed-rate (rather than floating-rate) form, the proportion of the outstanding stock of federal debt at fixed rates increased from 55 per cent to 57 per cent during 1995-96.

Following are detailed descriptions of the specific component programs making up the 1995-96 debt program.

Government of Canada Fixed-Coupon Bonds

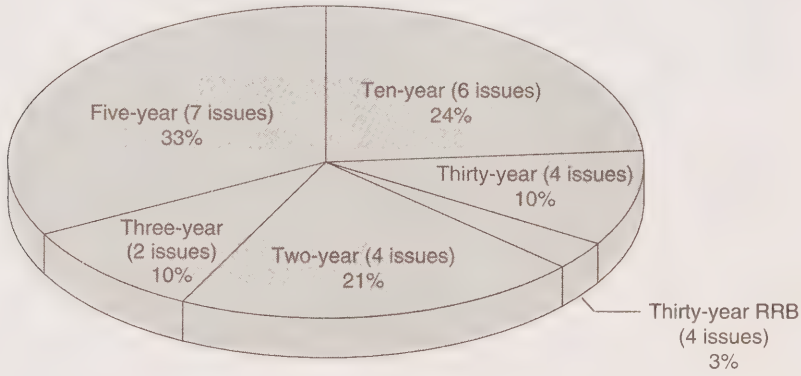
Fixed-coupon Government of Canada marketable bonds are issued in Canadian dollars and pay interest semi-annually. The outstanding stock of these bonds totalled $246.6 billion at the end of the fiscal year, representing the largest component (at 53 per cent) of the federal government's outstanding market debt. Issuance of fixed-coupon bonds is the key means by which the government can increase the share of the federal debt at fixed rates.

Gross issues of Government of Canada fixed-coupon bonds (excluding Real Return Bonds) totalled $50.6 billion in fiscal 1995-96. Of this amount, $25.1 billion was used to finance maturing bonds, while $25.5 billion represented net new issues. (See Reference Table IX for a summary of gross issues during fiscal 1995-96, and Reference Table X for a list of all bond issues outstanding on March 31, 1996.)

The average term to maturity of the fixed-coupon bonds offered during the year was eight years. (Chart 7 shows the distribution of issues in the bond program by approximate term to maturity.)

Chart 7

Fiscal 1995-96 fixed-coupon bond program



Note: Figures may not add due to rounding.
Source: Department of Finance.

The government has pursued a strategy to improve liquidity in the Canada bond market through larger benchmark bond sizes. The average size of the 23 Government of Canada bond auctions during the year was $2.2 billion, up about $220 million per issue from fiscal 1994-95. In March 1995, target sizes for benchmark issues were maintained at $4 to $6 billion for two- and three-year bonds; and at $6 to $9 billion for five-, ten- and thirty-year bonds (these targets were increased in March 1996 to new ranges of $5 to $7 billion for two- and three-year bonds and $7 to $10 billion for five-, ten- and thirty-year bonds). Building upon the success of its continuing quarterly cycle of two-, five- and ten-year auctions, the government issued thirty-year bonds as part of its quarterly auction cycle. In addition, three-year bonds were successfully reintroduced in 1995-96 (in the first two quarters of the fiscal year).

Real Return Bonds

In November 1991, the government introduced a program of Real Return Bonds (RRBs) whose return is linked to changes in the consumer price index. This instrument represents cost-effective diversification of the marketable bond program for the government as the implied real rates on comparable nominal bonds generally exceed the real rate offered on RRBs. Real Return Bonds also have value for institutional investors whose long-term liabilities are related to the rate of inflation, and for retail investors, principally for their RRSPs.

In 1995-96, the government issued a total principal amount of $1.4 billion in four separate issues. This was less than the government had planned to issue. Investor demand for RRBs fell short of expectations, in part because of the high implied real yields on nominal Canada bonds compared to real rates offered on RRBs.

There were a number of initiatives taken during the fiscal year to improve issuance levels and liquidity of the bonds. The first initiative was the introduction of auctions using a single-price (Dutch) auction format as the initial step in the move to an all-auction distribution of RRBs. The auctions were well received by market participants.

A second initiative was the introduction of a new RRB maturity (of December 1, 2026), five years longer than the original bond. Investors had indicated a desire to begin a new benchmark RRB with roughly 30 years to maturity. (The outstanding nominal amount of the original RRB stands at $5.175 billion.) The new maturity was well received at auction and is part of the program's long-run objective of establishing a real-yield Canada curve.

A third initiative in 1995-96 was the development of a marketing program for RRBs aimed at pension plan sponsors with the objectives of improving investors' awareness of the benefits of these bonds and of increasing the target amount of RRBs held in pension plan portfolios. This initiative included the development of marketing material and one-on-one meetings and seminars with major Canadian Pension Plan sponsors.

Floating-Rate Borrowing

Table 5 shows a comparison of the size and cost of the various floating-rate financing alternatives available to the government; Treasury bills which form the bulk of the government's floating rate debt, interest rate swaps and CSBs.

Table 5
Selected floating-rate statistics, fiscal 1995-96

	Gross issuance	Average rate[1]
	(billions of dollars)	(per cent)
Treasury bills:		
Cash management	24.0	7.17
Three months	198.7	6.35
Six months	101.7	6.49
Twelve months	65.9	6.52
Interest rate swaps	0	–
Canada Savings Bonds	4.6	5.25

[1] For Treasury bills, weighted average tender yields during the fiscal year. For Canada Savings Bonds, average rate earned on bonds sold in the 1995 campaign.

Source: Department of Finance.

The Treasury Bill Program

On a weekly basis, Treasury bills with terms to maturity of three, six and twelve months are offered to meet part of the new financial requirements of the government and to refinance maturing Treasury bills. In order to enhance liquidity of one-year Treasury bill issues, the government issues one-year bills in two consecutive weekly auctions with a common maturity date (this practice was also recently adopted for six-month Treasury bills). Cash management bills of shorter maturity than typical Treasury bills are issued from time to time to facilitate the management of the government's cash balances.

The outstanding stock of Treasury bills increased by $1.6 billion during 1995-96 to $166.1 billion. Total gross issuance of Treasury bills in 1995-96, at $390.3 billion, was more than double the outstanding stock, reflecting the short term to maturity and frequent turnover of these instruments. (See Reference Table VI for a list of all Treasury bill issues during the fiscal year.)

The Canadian dollar interest rate swap program

Since February 1988, as opportunities have arisen, Canada has entered into domestic fixed-to-floating interest rate swap agreements with selected counterparties. These agreements make use of Canada's relative advantage as the benchmark issuer in fixed-rate debt to obtain floating-rate funds at rates below those on Treasury bills.

During fiscal 1995-96, no new swaps were entered into by the government to raise domestic floating-rate funding because swap spreads were not attractive. With the total stock of $5.6 billion outstanding at March 31, 1996, debt costs are lower by an estimated $28 million per year when compared to the cost of borrowing the same amount in the Treasury bill market.

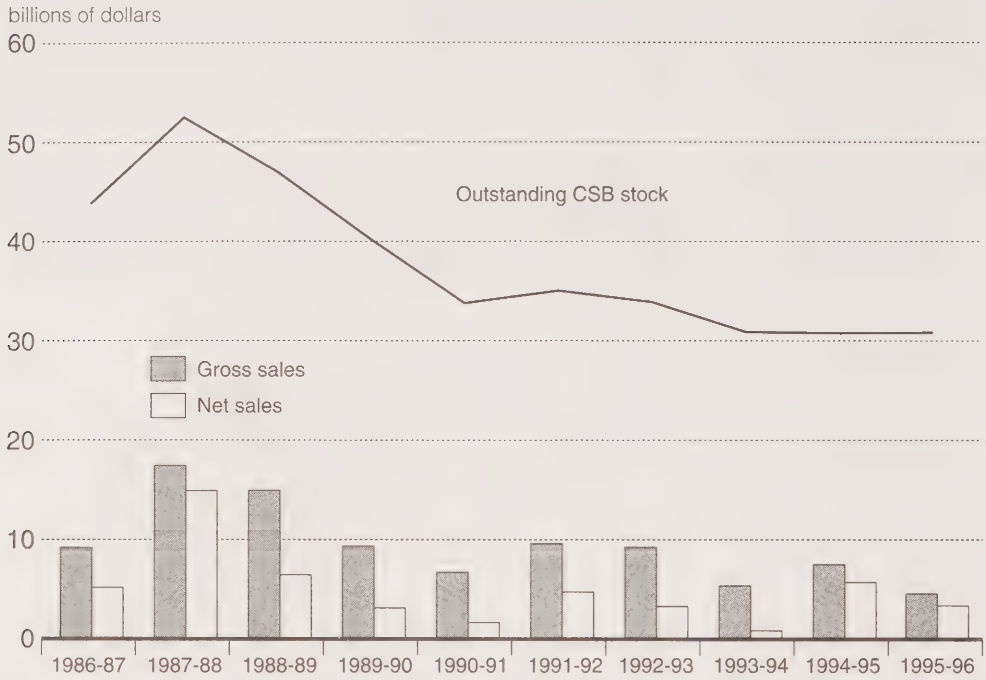
Canada Savings Bonds

In 1995, a new Canada Savings Bond (CSB) option was introduced which allowed individuals for the first time to purchase CSBs directly in the form of a Registered Retirement Savings Plan (RRSP) without the need for a self-directed plan and on a no-fee basis. The 1995 CSB series also featured the three-year escalating pricing feature that was first introduced in the 1994 campaign. The rates for 1995 were set at 5.25 per cent for the first year, 6.0 per cent for the second year and 6.75 per cent for the third year.

The sales period was initially slated to run from October 10 to November 1, 1995. Due to weak sales and circumstances in the month of October (i.e. the Quebec referendum), the campaign was extended to November 10. Gross sales for the 1995 campaign were $4.6 billion, a decrease of 39 per cent from the previous year. However, net sales of $3.4 billion were slightly above the net sales average over the past five years ($3.2 billion). The total par value of CSBs outstanding on March 31, 1996 was $30.8 billion (see Chart 8). Sales through the Payroll Savings Plan in 1995 – at $1.6 billion – were down 4 per cent from the previous year. About 16,000 companies offered the Payroll Savings Plan to their employees. During the campaign period, sales of the new CSB-RRSP option amounted to $33.4 million. The RRSP option was also extended to all outstanding CSB series in January 1996, bringing the total outstanding in the CSB-RRSP option to more than $65 million.

Chart 8

CSB sales and stock over the past decade[1]



[1]Gross and net sales figures shown are for the CSB campaign period. Net sales are equal to gross sales less redemptions during the period.

Source: Canada Investment and Savings, Bank of Canada.

Canada's Foreign Currency Debt

Canada borrows in foreign currencies for the purpose of raising foreign exchange reserves for the Exchange Fund Account. These reserves are used to promote order and stability of the Canadian dollar on the foreign exchange market. The federal government's foreign currency debt is currently denominated exclusively in U.S. dollars and amounts to about 4 per cent of its outstanding market debt. On March 31, 1996, foreign currency debt outstanding, including cross-currency interest rate swaps of domestic bonds, stood at U.S. $13.2 billion ($17.9 billion in Canadian dollar terms). Foreign currency liabilities were more than fully matched by foreign currency assets in the form of international reserves, which totalled approximately U.S. $17.0 billion.

As of March 31, 1996, the foreign currency debt portfolio consisted of Canada bills, Canada notes, a U.S. $2 billion floating-rate note, and marketable bonds. Canada also obtains foreign-denominated funding through cross-currency interest rate swaps of domestic bonds. Cross-currency interest rate swaps outstanding as of March 31 totalled U.S. $786 million.

Table 6
Composition of foreign currency debt as of March 31, 1996

Type of security	Amount
	(billions of U.S. dollars)
Canada bills	5.1
Canada notes	0.2
Floating-rate notes	2.0
Bonds	5.0
Total foreign currency liabilities	*12.3*
Cross-currency interest rate swaps	0.8
Total liabilities payable in $ U.S.	**13.2**

Source: Department of Finance. (Totals may not add due to rounding.)

Canada Bills

Canada bills, short-term promissory notes denominated in U.S. dollars, are regularly issued in the U.S. market, as a source of low-cost U.S. dollar funding. At the end of 1995-96, 39 per cent (or $5.1 billion) of the government's outstanding foreign currency debt was in the form of Canada bills. The stock of Canada bills decreased from $6.5 billion at the end of the 1994-95 fiscal year. The proceeds of these issues are invested in high-quality U.S. dollar denominated assets.

Cross-currency interest rate swaps

On March 29, 1996, the government entered into a cross currency interest rate swap of Canadian dollar fixed-rate debt into $500 million of U.S. fixed rate debt. This swap brings the total amount of swaps outstanding to U.S. $786 million. (Canada swapped $400 million of Canadian dollar debt into U.S. $286 million in March 1995.)

Foreign-Denominated Bonds

As of March 31, 1996, Canada had U.S. $5.0 billion in fixed-rate bonds and a U.S. $2.0 billion floating-rate note outstanding. U.S. $3.0 billion of fixed-rate bonds were issued in the 1995-96 fiscal year.

- **Global U.S. $1.5 billion five-year bond issue**
  In May 1995, the government launched its first-ever global bond which was sold to investors in Asia, Europe and North America. The 6½ per cent five-year issue was met with very strong demand and was priced at U.S. Treasuries plus 25 basis points. The issue received recognition as "global bond of the year" by the *International Financing Review*.

- **Global U.S. $1.5 billion ten-year bond issue**
  In July 1995, the government followed up the success of its first global bond with a U.S. $1.5 billion ten-year global bond issue. Once again, the issue was well received by investors around the world, allowing it to be priced at a cost of 36 basis points over U.S. Treasuries.

The government also issued two global bonds in the 1996-97 fiscal year.

- **Global U.S. $1.0 billion five-year bond issue**
  On May 30, 1996 Canada issued a U.S. $1.0 billion 6½ per cent five-year global bond due May 30, 2001. Favourable market conditions provided an opportunity to raise funds in order to increase the level of Canada's foreign exchange reserves (a decision announced in the 1996 budget). The issue was well received by a broad, global investor base, which allowed it to be priced at 14 basis points over U.S. Treasuries.
- **Global U.S. $1.0 billion ten-year bond issue**
  On August 28, 1996, Canada issued a U.S. $1.0 billion 6¾ per cent ten-year global bond due August 28, 2006. Again, the funds were raised in order to increase the level of Canada's foreign exchange reserves. The issue was priced at 29 basis points over U.S. Treasuries and was positively viewed by the market.

Canada notes

In March, 1996, Canada launched a U.S. medium term note program. The program, called Canada notes, diversifies the sources of funds for Canada's official exchange reserves. The Canada Notes Program will be used as required to raise fixed and floating rate funding for terms longer than nine months. In its initial stages, the program has raised significant fixed rate funds ($1.4 billion by September 30, 1996) at very attractive rates.

The Management of the Government's Cash Balances

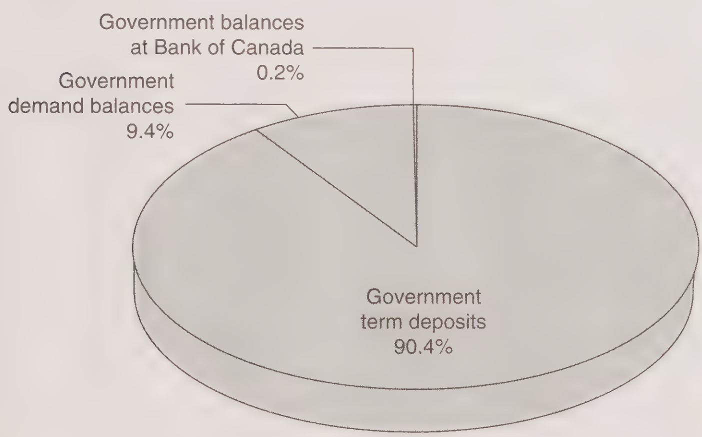
The main priority in managing cash balances is to ensure that the government has sufficient cash to meet its daily needs. This requires careful forecasting and monitoring of the daily flows, as well as an ongoing borrowing program to refinance maturing debt and to maintain the balances at the targeted level. There is inherent uncertainty in forecasting daily changes in cash balances, owing to the scope of the government's financial operations, the operations of the Bank of Canada, and the volatility of markets. This means that an adequate level of cash balances must be maintained at all times. Cash balances do not sit idle, as they are reinvested in the market at market rates.

Through an auction process, all cash balances are invested directly with clearing members of the CPA as either term or demand deposits. In order to earn competitive market rates of return, balances in excess of daily operating requirements have been auctioned to direct clearers as term deposits since 1986. In 1989, the auction format was extended to demand deposits.

The level of the government's daily cash balances (term and demand) averaged $6.0 billion in fiscal 1995-96, compared to $2.4 billion in 1994-95, reflecting increased market volatility and the liquidity needs of a very large financing program (see Chart 9). Term deposits, typically for terms ranging between 1 and 11 days, averaged $5.4 billion, $3.5 billion higher than the previous fiscal year. Earnings on term balances averaged 6.19 per cent, almost unchanged from 6.17 per cent in the prior year. Average demand balances, at $563 million, were $46 million higher than in 1994-95, and earned 4.66 per cent (compared to 4.34 per cent the previous year).

Chart 9

Average level of Government of Canada cash balances, fiscal year 1995-96



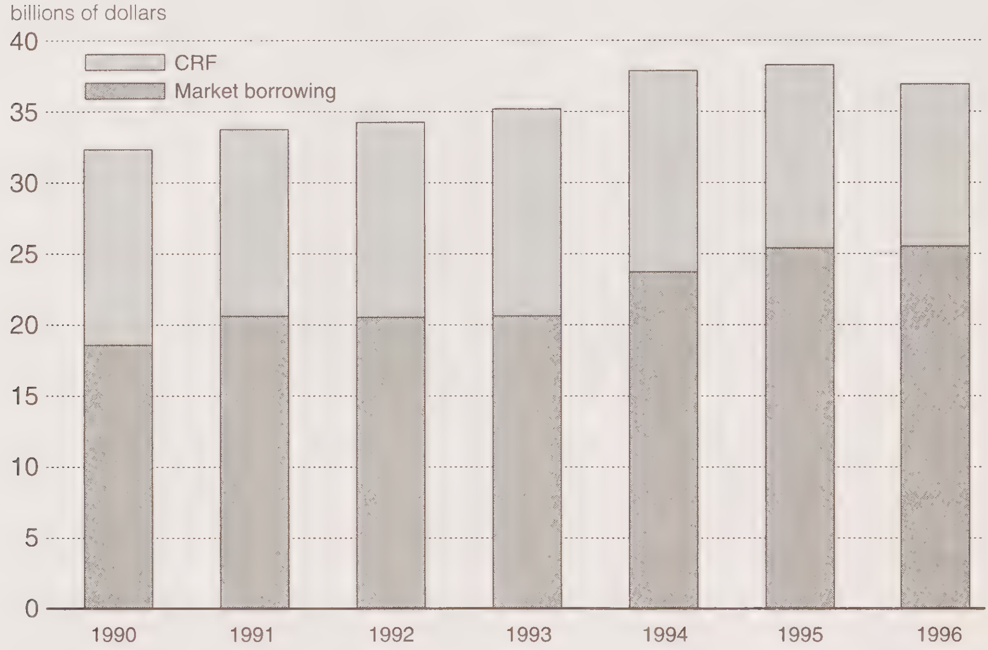
Source: Department of Finance.

4. Borrowings by Crown corporations

In order to assess fully the government's total impact in financial markets, it is necessary to include the market borrowings of federal Crown corporations, which carry a government guarantee. Reference Tables XI and XII provide information on Crown corporation borrowings from the market and from the Consolidated Revenue Fund. As illustrated in Chart 10, total outstanding borrowings by Crown corporations increased from $32.2 billion at the end of fiscal 1989-90 to $36.9 billion at the end of fiscal 1995-96, reflecting an increase in market borrowings from $18.4 billion to $25.5 billion and a decrease in Consolidated Revenue Fund borrowings from $13.7 billion to $11.4 billion.

Chart 10

Borrowings by Crown corporations
as of March 31



Sources: Receiver General, *Public Accounts of Canada*,
Public Works and Government Services Canada, *Summary Quarterly Financial Statements of Crown corporations.*

5. DISTRIBUTION OF HOLDINGS OF GOVERNMENT OF CANADA DEBT

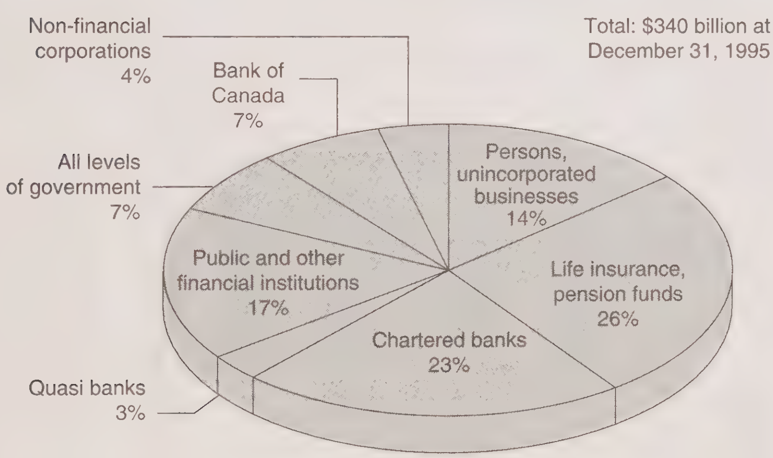
Domestic Holdings of Government of Canada Debt

Life insurance companies, pension funds and chartered banks remain the sectors with the largest holdings of Government of Canada market debt (see Chart 11). Total holdings of market debt by persons and unincorporated businesses fell by nearly 4 per cent of their 1994 level in 1995, while holdings by life insurance and pension funds increased over 10 per cent. Holdings by chartered banks rose just over 9 per cent in 1995.

Reference Table IV shows the evolution of the distribution of domestic holdings of Government of Canada debt over the past 20 years. Noteworthy is the decline in the past few years in the holdings of the personal sector, mirrored by an increase in the holdings of life insurance and pension funds, and chartered banks.

Chart 11

Distribution of domestic holdings of Government of Canada market debt



Note: Figures may not add due to rounding.

Source: Statistics Canada, *The National Balance Sheet Accounts.*

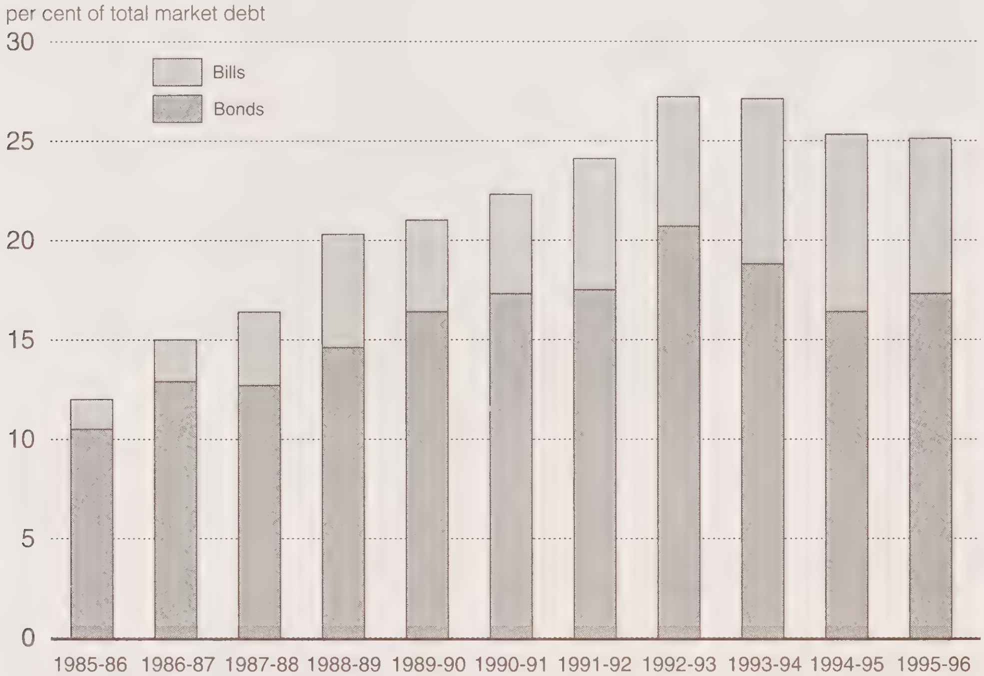
Non-Resident Holdings of Government of Canada Debt

Non-resident holdings of the Government of Canada's outstanding market debt are estimated to have reached $117.7 billion at the end of March 1996, up $6.5 billion from a year earlier. Non-resident holdings represented 25 per cent of the Government of Canada's total market debt at the end of fiscal 1995-96, up from 12 per cent at the end of fiscal 1985-86, but down from the peak level of 27 per cent in 1992-93. In fiscal 1995-96, non-resident holdings of Government of Canada marketable bonds increased by $9.1 billion. Non-resident holdings of Treasury bills declined by $2.6 billion over the fiscal year (see Reference Table V). Non-residents held 31 per cent of outstanding Government of Canada marketable bonds at the end of fiscal 1995-96, unchanged from its share as of 1994-95. Non-resident holdings of Treasury bills amounted to 21 per cent of total bills outstanding at the end of March 1996, down 3 percentage points from its share one year earlier (see Chart 12).

Approximately 1/3 of foreign-held Government of Canada debt rests with U.S. investors, while the remainder is divided between Europe, Asia, and other investors worldwide. There is some evidence that in the past year, the share of Canadian debt held by Japanese investors decreased while the share held by European investors increased.

Chart 12

Non-resident holdings of Government of Canada debt



Source: Statistics Canada, *Canada's International Transactions in Securities.*

ANNEX 1: GOVERNMENT OF CANADA MARKET DEBT INSTRUMENTS

Fixed-Coupon Marketable Bonds

Government of Canada marketable bonds are generally available in denominations ranging from $1,000 to $1,000,000. As of December 1, 1993, new issues of Government of Canada bonds are issued in fully registered form only. With the exception of the 3¾ per cent bonds maturing March 15, 1998, all Canadian dollar marketable bonds are non-callable. All Canadian dollar marketable bonds pay interest semi-annually.

Issues of government bonds are sold via public tender, with the Bank of Canada acting as the government's fiscal agent, to primary distributors made up of Canadian securities dealers and a small number of Canadian chartered banks. Typically, these sales are via bid-price auction.

There is an extensive domestic secondary market in marketable bonds. Government of Canada bonds are the benchmark bonds in the Canadian bond market, and are very liquid. Market participants buy and sell bonds quite actively in this market.

Treasury Bills

Government of Canada Treasury bills are issued in denominations ranging from $1,000 to $1,000,000.

Issues of Treasury bills are sold by public tender on a discount basis, with the Bank of Canada acting as the government's fiscal agent, to primary distributors made up of Canadian securities dealers and chartered banks. Treasury bills with terms to maturity of three, six, or twelve months are auctioned on a weekly basis, typically on Tuesday for delivery Thursday. To increase their size and liquidity, the government issues fungible six-month and one-year bills, in which two consecutive regular weekly auctions are accumulated on one common maturity date. For one-year (six-month) bills, 364-day (182-day) bills are issued in the first week of a two-week cycle, while in the second week, 357-day (175-day) bills are issued.

There is an extensive secondary market in Treasury bills. Chartered banks, securities dealers, and the general public buy and sell Treasury bills in this liquid market.

Canada Savings Bonds

CSBs are offered for sale by most Canadian financial institutions for a limited time during the fall campaign. To facilitate their purchase, many Canadians elect to purchase CSBs through payroll deductions.

Except in certain specific circumstances, Canada Savings Bonds can only be registered in the name of residents of Canada, and are available in both regular-interest and compound-interest forms. Denominations range from $100 to $10,000; all CSBs are non-callable, and, except in certain limited circumstances, non-transferable.

CSBs pay a competitive rate of interest which is guaranteed for one or more years. They may be cashed at any time, and, after the first three months, pay interest up to the end of the month prior to encashment.

Government of Canada Real Return Bonds

Government of Canada Real Return Bonds pay semi-annual interest based upon a real coupon interest rate. Unlike standard fixed-coupon marketable bonds, interest payments on Real Return Bonds are adjusted for changes in the Canadian consumer price index. At maturity, bondholders will receive, in addition to a coupon interest payment, a final payment equal to the sum of the principal amount and the sum of the accrued inflation compensation from the original issue date. These bonds must be purchased, transferred, or sold directly or indirectly through a participant of the CDS book-entry system and only in integral multiples of $1,000. Primary distribution has been through a syndicate of Canadian securities dealers and via single-price auction.

While the level of outstandings in these bonds is small compared to that of fixed-coupon marketable bonds, a secondary market in these bonds is developing. The major participants in this market are Canadian securities dealers, insurance companies, and pension funds.

Canada Bills

Canada bills are promissory notes denominated in U.S. dollars and only available in book-entry form. They mature not more than 270 days from their date of issue and are discount obligations with a minimum order size of U.S. $1,000,000 and a minimum denomination of U.S. $1,000. Delivery and payment for Canada bills occur in same-day funds at the offices of Chase Manhattan Bank in New York City.

Primary distribution of Canada bills occurs through five issuing agents, RBC Dominion Securities Inc., Wood Gundy Inc., Goldman, Sachs & Co., Lehman Brothers and CS First Boston. Rates on Canada bills are posted daily, for terms of one to six months.

There is a small secondary market in Canada bills. Participants in this market include U.S., Canadian and international financial institutions.

Canada Notes

Canada notes are promissory notes denominated in U.S. dollars and available in book-entry form. They mature not less than 270 days from their date of issue. Minimum order size is U.S. $5,000,000 and minimum denomination is U.S. $1,000. Delivery and payment for Canada notes occur at the offices of the Bank of Montreal Trust Company in New York City.

Primary distribution of Canada notes occurs through five issuing agents, Nesbitt Burns Inc., Scotia Capital Markets Inc., Goldman, Sachs & Co., CS First Boston, and Lehman Brothers.

ANNEX 2: THE PRIMARY DISTRIBUTION OF GOVERNMENT OF CANADA FIXED-COUPON MARKETABLE BONDS AND TREASURY BILLS

The Government of Canada does not deal directly with the public in the distribution of its domestic marketable debt but transacts through a group of financial intermediaries known as primary distributors.

There are at present some 33 firms which participate in the primary distribution of bonds and Treasury bills. These primary distributors are investment dealers and chartered banks based in the major financial centres in Canada. Investment dealers have to be licensed by a provincial securities commission and be a member of the Investment Dealers Association. Banks are regulated by the Office of the Superintendent of Financial Institutions. The list of primary distributors has evolved over time. Additions to and deletions from the list of firms allowed to bid at auctions are made only after a sustained evaluation of a firm's performance over an extended period of time.

In order to be eligible as a primary distributor, a firm must meet certain reporting, performance, and distribution criteria set by the Bank of Canada in its role as the government's fiscal agent.

Those primary distributors active in both bond and Treasury bill markets may apply to become Bank of Canada jobbers. This is the core group of market makers that the Bank deals with in its monetary policy operations and, since they are the largest firms, they are also the dominant group among the primary distributors.

Investment dealer jobbers have resort, at the Bank Rate, to Purchase and Resale Agreements (PRA) with the Bank of Canada in Government of Canada direct securities up to an assigned maximum. Bank jobbers, which already have a line of credit with the Bank for settlement purposes, are not eligible for PRA. Both investment dealer and bank jobbers are eligible for Special Purchase and Resale Agreements with the Bank in the same collateral, but at the Bank's initiative at the Bank Rate.

Jobbers have a number of responsibilities in addition to those of primary distributors. They are expected to bid at every Treasury bill and bond auction so as to provide coverage of auctions as a group, to consistently make markets in Treasury bills and bonds to a broad customer base, and to provide the Bank with assessments of market conditions, weekly statistical reports, and audited financial statements.

ANNEX 3: SELECTED NEWS SERVICE PAGES OF INTEREST TO GOVERNMENT OF CANADA DEBT MARKET PARTICIPANTS

Dow Jones Telerate

261	– Exchange Rates
3105	– U.S./Canada combined capital markets page
3109	– Quarterly bond auction schedule
3110	– Latest marketable bond auction results
3111	– Treasury bill auction results
3112	– Cumulative excess settlement balances/overnight rate
3114	– Swap program highlights
3143	– Multicontributor page – Government of Canada bonds
3144	– Multicontributor page – Government of Canada Treasury bills
3159	– Canadian yield curves/spread differentials to U.S.
3190	– Canadian money markets page
3193	– Cash management bill auction Results
3195	– Latest RRB auction results
3196	– Canadian Government bonds and interest rate swaps
3197	– 10 a.m. fixing – Canadian B.A. rates
3198	– 10 a.m. fixing – Government of Canada Treasury bills
9728	– 10:30 a.m. Bank of Canada jobber averages – Treasury bills, B.A.'s, and Commercial paper
27455	– 10-year CGB futures (Montreal Exchange)
27456	– BAX futures (Montreal Exchange)
27458	– 10-year bond cheapest-to-deliver (CGB futures) implied repo rate

Reuters

BOFC	– Exchange rates
CDMM	– Summary page, short-term Canadian money market
CDBN	– Summary page, Canadian bonds
CDBL	– Canada – U.S. yield curves
CDOR	– 10 a.m. fixing – Canadian B.A. rates
CDOS	– 10 a.m. fixing – Canadian Treasury bill rates
FPRH	– Swap quotes
BAX <F3>	– BAX futures, Montreal Exchange
BAR <F3>	– BAR futures, Montreal Exchange

Department of Finance Home Page Internet Address

http://www.fin.gc.ca/fin-eng.html

Bank of Canada Home Page Internet Address

http://www.bank-banque-canada.ca

REFERENCE TABLES

Reference Table I

Gross public debt, outstanding market debt, and debt charges

Fiscal year	Gross public debt			Outstanding market debt[2]			
	Outstanding	Fixed-rate portion[1]	Total debt charges	Outstanding	Fixed-rate Portion	Total debt charges	Average Interest rate
	($ billions)	(per cent)	($ billions)	($ billions)	(per cent)	($ billions)	(per cent)
1985-86	273.3	51.9	25.4	201.4	36.8	20.7	10.68
1986-87	307.1	50.9	26.7	227.4	37.2	21.5	9.37
1987-88	338.3	51.2	29.0	249.2	38.6	23.1	9.62
1988-89	369.6	49.6	33.2	274.2	37.6	26.5	10.83
1989-90	395.3	49.9	38.8	292.2	38.5	31.4	11.22
1990-91	431.3	50.4	42.6	321.1	38.9	34.3	10.73
1991-92	465.1	50.7	41.2	348.9	39.3	32.4	8.85
1992-93	501.6	50.4	38.8	379.8	39.4	29.4	7.86
1993-94	544.1	53.3	38.0	410.9	43.1	28.0	6.73
1994-95	582.9	55.1	42.0	437.6	44.8	31.4	7.96
1995-96	622.8	56.9	46.9	466.1	48.3	35.3	7.33

[1] After adjusting for non-interest bearing liabilities. Definition of fixed debt may vary slightly from year to year to accommodate changes in the debt structure.

[2] Does not include bonds for the Canada Pension Plan. Average interest rate is also calculated excluding these bonds.

Sources: *Public Accounts of Canada*, *Bank of Canada Review*, Department of Finance estimates.

Reference Table II

Government of Canada outstanding market debt[1]

	Payable in Canadian dollars				Payable in foreign currencies						
Fiscal year	Treasury bills	Marketable bonds	CSBs	Total	Marketable bonds	Canada bills	Canada notes	Standby drawings	Terms loans	Total	Total market
	(in millions of Canadian dollars)										
1977-78	11,295	21,645	18,036	50,976	181	0	0	850	0	1,031	52,007
1978-79	13,535	26,988	19,443	59,966	3,319	0	0	2,782	1,115	7,216	67,182
1979-80	16,325	33,387	18,182	67,894	3,312	0	0	359	1,030	4,701	72,595
1980-81	21,770	40,976	15,966	78,712	3,236	0	0	355	1,046	4,637	83,349
1981-82	19,375	43,605	25,108	88,088	3,867	0	0	0	550	4,417	92,505
1982-83	29,125	48,473	32,753	110,351	4,872	0	0	0	362	5,234	115,585
1983-84	41,700	56,976	38,403	137,079	4,306	0	0	510	398	5,214	142,293
1984-85	52,300	69,354	42,167	163,821	4,972	0	0	1,909	1,172	8,053	171,874
1985-86	61,950	81,163	44,607	187,720	9,331	0	0	2,233	2,247	13,811	201,531
1986-87	76,950	94,520	43,854	215,324	9,120	1,045	0	0	2,047	12,212	227,536
1987-88	81,050	103,899	52,558	237,507	8,438	1,045	0	0	2,257	11,740	249,247
1988-89	102,700	115,748	47,048	265,496	6,672	1,131	0	0	934	8,737	274,233
1989-90	118,550	127,681	40,207	286,438	4,364	1,446	0	0	0	5,810	292,248
1990-91	139,150	143,601	33,782	316,532	3,555	1,008	0	0	0	4,563	321,095
1991-92	152,300	158,059	35,031	345,390	3,535	0	0	0	0	3,535	348,925
1992-93	162,050	178,436	33,884	374,370	2,926	2,552	0	0	0	5,478	379,848
1993-94	166,000	203,373	30,866	400,239	5,019	5,649	0	0	0	10,668	410,907
1994-95	164,450	225,513	30,756	420,719	7,875	9,046	0	0	0	16,921	437,640
1995-96	166,100	252,411	30,801	449,312	9,514	6,986	310	0	0	16,810	466,122

[1] Subcategorization of Government of Canada debt is in accordance with Bank of Canada reports, which may vary slightly from Public Accounts categories due to differences in classification methods.

Source: *Bank of Canada Review*.

Reference Table III

Average Weekly Domestic Market Trading in Government of Canada Securities, January to March 1996

	Treasury bills	Marketable bonds					Total
		3 years and under	3 to 10 years	Over 10 years	Real return	Total marketable bonds	
	(millions of dollars)						
January	75,143	20,288	41,531	9,109	139	71,066	146,210
February	94,103	28,172	48,384	12,099	170	88,826	182,928
March	98,832	29,820	40,156	13,019	130	83,125	181,957

Source: *Bank of Canada Review*.

Reference Table IV

Distribution of domestic holdings of Government of Canada securities

PART A – Treasury bills, bonds[1], and Canada Savings Bonds

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total
				(millions of dollars)					
1976	18,009	395	8,331	8,666	716	1,436	2,388	439	40,390
1977	20,440	336	10,268	9,601	1,048	2,271	3,241	709	47,914
1978	22,917	403	12,001	9,896	1,537	3,737	4,160	1,401	56,053
1979	23,302	376	13,656	10,156	1,684	6,716	4,267	2,572	62,729
1980	24,861	561	15,858	10,002	2,771	9,274	5,726	3,948	73,001
1981	33,684	598	17,100	10,003	2,452	10,569	5,515	3,898	83,819
1982	43,979	2,255	15,428	11,233	3,288	13,151	8,843	4,139	102,316
1983	51,440	5,518	16,859	15,107	5,551	17,816	10,167	4,399	126,857
1984	61,244	7,006	17,184	15,164	4,887	24,039	12,057	6,575	148,156
1985	74,609	7,413	15,668	15,198	5,706	31,068	15,134	9,701	174,497
1986	71,415	6,270	18,374	17,779	7,277	34,887	18,501	10,869	185,672
1987	83,156	8,586	20,366	16,012	6,400	38,870	19,587	13,604	206,581
1988	85,401	8,983	20,606	21,115	7,657	42,460	19,677	16,813	222,712
1989	84,112	11,587	21,133	19,804	9,853	46,037	24,448	17,398	234,372
1990	81,198	12,456	20,325	23,224	10,413	52,984	26,038	19,146	245,784
1991	74,709	11,718	22,370	35,792	12,069	55,846	32,234	21,246	266,984
1992	74,627	13,787	22,607	44,555	12,440	60,042	39,286	18,891	286,235
1993	59,943	10,473	23,624	60,242	11,073	69,930	44,819	20,040	300,144
1994	50,681	13,209	25,337	70,063	10,222	78,775	52,242	23,383	325,912
1995	48,832	12,156	23,590	76,560	10,758	87,190	57,797	22,805	339,688

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART B – Treasury bills, bonds[1], and Canada Savings Bonds

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total
					(per cent)				
1976	44.59	0.98	20.63	21.46	1.77	3.56	5.91	1.11	100.00
1977	42.66	0.70	21.43	20.04	2.19	4.74	6.76	1.48	100.00
1978	40.88	0.72	21.41	17.65	2.74	6.67	7.42	2.50	100.00
1979	37.15	0.60	21.77	16.19	2.68	10.71	6.80	4.10	100.00
1980	34.06	0.77	21.72	13.70	3.80	12.70	7.84	5.41	100.00
1981	40.19	0.71	20.40	11.93	2.93	12.61	6.58	4.65	100.00
1982	42.98	2.20	15.08	10.98	3.21	12.85	8.64	4.05	100.00
1983	40.55	4.35	13.29	11.91	4.38	14.04	8.01	3.47	100.00
1984	41.34	4.73	11.60	10.24	3.30	16.23	8.14	4.44	100.00
1985	42.76	4.25	8.98	8.71	3.27	17.80	8.67	5.56	100.00
1986	38.53	3.38	9.91	9.59	3.93	18.82	9.98	5.86	100.00
1987	40.25	4.16	9.86	7.75	3.10	18.82	9.48	6.59	100.00
1988	38.35	4.03	9.25	9.48	3.44	19.06	8.84	7.55	100.00
1989	35.89	4.94	9.02	8.45	4.20	19.64	10.43	7.42	100.00
1990	33.04	5.07	8.27	9.45	4.24	21.56	10.59	7.79	100.00
1991	27.98	4.39	8.38	13.41	4.52	20.92	12.45	7.96	100.00
1992	26.07	4.82	7.90	15.57	4.35	20.98	13.73	6.60	100.00
1993	19.97	3.49	7.87	20.07	3.69	23.30	14.93	6.68	100.00
1994	15.55	4.05	7.77	21.50	3.14	24.17	16.03	7.79	100.00
1995	14.38	3.58	6.94	22.54	3.17	25.67	17.01	6.71	100.00

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART C – Treasury bills

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total
				(millions of dollars)					
1976	156	125	2,053	4,219	52	44	535	99	7,283
1977	458	151	2,461	4,949	143	98	1,044	208	9,512
1978	652	198	3,567	5,517	193	261	1,588	409	12,385
1979	811	167	4,345	6,690	65	245	1,616	749	14,688
1980	1,419	294	5,394	7,500	619	460	2,507	1,427	19,620
1981	1,020	372	5,431	8,597	343	560	2,269	996	19,588
1982	1,855	1,935	2,483	10,034	1,357	1,244	4,670	914	24,492
1983	4,109	5,162	2,780	12,879	3,180	2,587	5,519	599	36,815
1984	7,554	6,453	3,548	12,997	2,792	3,876	6,623	2,108	45,951
1985	13,427	6,543	4,041	12,629	3,651	3,934	8,156	3,940	56,311
1986	16,295	4,886	7,967	15,161	4,709	3,592	10,226	3,206	66,042
1987	17,686	7,227	9,847	11,498	3,725	4,806	9,611	4,867	69,267
1988	20,174	7,433	9,945	15,224	5,648	7,648	9,313	7,532	82,917
1989	32,757	9,990	11,124	16,410	8,115	7,664	12,571	8,666	107,297
1990	37,795	11,339	10,574	16,841	8,929	11,737	13,031	8,785	119,031
1991	32,393	10,546	13,093	24,382	9,080	10,386	17,832	10,151	127,863
1992	36,692	11,355	14,634	27,989	9,661	11,539	19,943	6,783	138,696
1993	27,275	9,771	17,002	29,901	9,097	17,050	22,385	7,206	139,687
1994	14,493	9,669	19,408	30,415	7,078	14,393	22,365	11,535	129,356
1995	13,684	9386	182.98	30,865	7,200	15,402	24,804	9,501	129,140

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART D – Treasury bills

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total
					(per cent)				
1976	2.14	1.72	28.19	57.93	0.71	0.60	7.35	1.36	100.00
1977	4.81	1.59	25.87	52.03	1.50	1.03	10.98	2.19	100.00
1978	5.26	1.60	28.80	44.55	1.56	2.11	12.82	3.30	100.00
1979	5.52	1.14	29.58	45.55	0.44	1.67	11.00	5.10	100.00
1980	7.23	1.50	27.49	38.23	3.15	2.34	12.78	7.27	100.00
1981	5.21	1.90	27.73	43.89	1.75	2.86	11.58	5.08	100.00
1982	7.57	7.90	10.14	40.97	5.54	5.08	19.07	3.73	100.00
1983	11.16	14.02	7.55	34.98	8.64	7.03	14.99	1.63	100.00
1984	16.44	14.04	7.72	28.28	6.08	8.44	14.41	4.59	100.00
1985	23.84	11.62	7.18	22.43	6.48	6.97	14.48	7.00	100.00
1986	24.67	7.40	12.06	22.96	7.13	5.44	15.48	4.85	100.00
1987	25.53	10.43	14.22	16.60	5.38	6.94	13.88	7.03	100.00
1988	24.33	8.96	11.99	18.36	6.81	9.22	11.23	9.08	100.00
1989	30.53	9.31	10.37	15.29	7.56	7.14	11.72	8.08	100.00
1990	31.75	9.53	8.88	14.15	7.50	8.86	10.95	7.38	100.00
1991	25.33	8.25	10.24	19.07	7.10	8.12	13.95	7.94	100.00
1992	26.45	8.19	10.55	20.18	6.97	8.39	14.38	4.89	100.00
1993	19.53	6.99	12.17	21.41	6.51	12.21	16.03	5.16	100.00
1994	11.20	7.47	15.00	23.51	5.47	11.13	17.29	8.92	100.00
1995	10.60	7.27	14.17	23.90	5.58	11.93	19.21	7.36	100.00

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART E – Bonds[1]

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total
					(millions of dollars)				
1976	1,369	270	6,278	4,447	664	1,392	1,853	350	16,623
1977	1,789	185	7,807	4,652	905	2,173	2,197	501	20,209
1978	2,031	205	8,434	4,379	1,344	3,477	2,572	992	23,433
1979	3,869	209	9,311	3,466	1,619	6,471	2,651	1,823	29,419
1980	5,572	267	10,464	2,502	2,152	8,814	3,219	2,521	35,511
1981	7,317	226	11,669	1,406	2,109	10,009	3,246	2,902	38,884
1982	8,415	320	12,945	1,199	1,931	11,907	4,173	3,225	44,115
1983	7,604	356	14,079	2,228	2,371	15,229	4,648	3,800	51,315
1984	10,302	553	13,636	2,167	2,095	20,163	5,434	4,467	58,817
1985	11,673	870	11,627	2,569	2,055	27,144	6,978	5,761	68,677
1986	10,032	1,384	10,407	2,618	2,568	31,295	8,275	7,663	74,242
1987	10,430	1,359	10,519	4,514	2,675	34,064	9,976	8,737	82,274
1988	10,350	1,550	10,661	5,891	2,009	34,812	10,364	9,281	84,918
1989	7,657	1,597	10,009	3,394	1,738	38,373	11,877	8,732	83,377
1990	7,945	1,117	9,751	6,383	1,484	41,247	13,007	10,361	91,295
1991	5,009	1,172	9,277	11,410	2,989	45,460	15,402	11,095	101,814
1992	2,053	2,432	7,973	16,566	2,779	48,403	19,343	12,108	111,657
1993	45	702	6,622	30,341	1,969	52,880	22,434	12,834	127,834
1994	2,676	3,540	5,929	39,648	3,144	64,382	29,877	13,848	163,044
1995	2,789	2,770	5,292	45,695	3,558	71,788	32,993	13,304	178,189

Reference Table IV *(cont'd)*

Distribution of domestic holdings of Government of Canada securities

PART F – Bonds[1]

Year end	Persons and unincorporated business	Non-financial corporations	Bank of Canada	Chartered banks	Quasi-banks[2]	Life insurance and pension funds	Public and other financial institutions[3]	All levels of government[4]	Total
					(per cent)				
1976	8.24	1.62	37.77	26.75	3.99	8.37	11.15	2.11	100.00
1977	8.85	0.92	38.63	23.02	4.48	10.75	11.87	2.48	100.00
1978	8.66	0.87	35.99	18.69	5.74	14.84	10.98	4.23	100.00
1979	13.15	0.71	31.65	11.78	5.50	22.00	9.01	6.20	100.00
1980	15.69	0.75	29.47	7.05	6.06	24.82	9.06	7.10	100.00
1981	18.82	0.58	30.01	3.62	5.42	25.74	8.35	7.46	100.00
1982	19.08	0.73	29.34	2.72	4.38	26.99	9.46	7.31	100.00
1983	15.11	0.71	27.98	4.43	4.71	30.27	9.24	7.55	100.00
1984	17.52	0.94	23.18	3.68	3.56	34.28	9.24	7.59	100.00
1985	17.00	1.27	16.93	3.74	2.99	39.52	10.16	8.39	100.00
1986	13.51	1.86	14.02	3.53	3.46	42.15	11.15	10.32	100.00
1987	12.68	1.65	12.79	5.49	3.25	41.40	12.13	10.62	100.00
1988	12.19	1.83	12.55	6.94	2.37	40.99	12.20	10.93	100.00
1989	9.18	1.92	12.00	4.07	2.08	46.02	14.24	10.47	100.00
1990	8.70	1.22	10.68	6.99	1.63	45.18	14.25	11.36	100.00
1991	4.92	1.15	9.11	11.21	2.94	44.65	15.13	10.90	100.00
1992	1.84	2.18	7.14	14.84	2.49	43.35	17.32	10.84	100.00
1993	0.04	0.55	5.18	23.73	1.55	41.37	17.55	10.04	100.00
1994	1.64	2.17	3.64	24.32	1.93	39.49	18.32	8.49	100.00
1995	1.57	1.55	2.97	25.64	2.00	40.29	18.52	7.47	100.00

Note: Because of timing and valuation differences, the *National Balance Sheet* data contained in this table are not necessarily on the same basis as other data elsewhere in this publication. (Most of the data in this report is on a par value basis – that is, outstanding securities are valued at par.) For this reason, although the two sets of data yield very similar information, the data in this table are not strictly comparable with other data in this publication.

1 Includes bonds denominated in foreign currencies.

2 Includes Quebec savings banks, credit unions and caisses populaires, trust companies, and mortgage loan companies.

3 Includes investment dealers, mutual funds, fire and casualty insurance companies, sales, finance and consumer loan companies, accident and sickness branches of life insurance companies, other private financial institutions (not elsewhere included), federal public financial institutions, and provincial financial institutions.

4 Includes federal government holdings of its own debt, as well as provincial, municipal, and hospital holdings, and holdings of the Canada Pension Plan and the Quebec Pension Plan.

Source: Statistics Canada, *The National Balance Sheet Accounts*.

Reference Table V

Foreign holdings of Government of Canada market debt

Fiscal year	Marketable bonds[1]	Treasury bills	Total	Total as per cent of total market debt
		(billions of Canadian dollars)		
1978-79	4.8	0.9	5.7	8.5
1979-80	5.4	0.7	6.1	8.5
1980-81	6.6	1.1	7.7	9.3
1981-82	8.5	1.1	9.6	10.4
1982-83	9.5	1.6	11.1	9.6
1983-84	9.9	2.6	12.5	8.8
1984-85	14.0	4.6	18.6	10.8
1985-86	21.4	3.0	24.4	12.1
1986-87	29.5	4.7	34.2	15.0
1987-88	31.9	9.3	41.2	16.5
1988-89	40.2	15.7	55.9	20.4
1989-90	48.3	13.3	61.6	21.1
1990-91	55.8	16.1	71.9	22.4
1991-92	61.5	23.0	84.5	24.2
1992-93	79.0	24.8	103.8	27.3
1993-94	77.7	34.0	111.7	27.2
1994-95	72.1	39.1	111.2	25.4
1995-96	81.2	36.5	117.7	25.3

[1] Includes bonds denominated in foreign currencies.

Source: Statistics Canada, *Canada's International Transactions in Securities.*

Reference Table VI

Fiscal 1995-96 Treasury bill program

Date	Maturing					New issues					Net increment			Average tender yields			
	CM	3 mo	6 mo	12 mo	Total	CM	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S	CM	3 mo	6 mo	12 mo
	(millions of dollars)													(per cent)			
06-Apr-95	1,250	3,400	2,200	2,200	9.050	0	4,200	2,000	1,200	7,400	-1,650	-1.650	162,800		8.29	8.36	8.30
10-Apr-95	0	0	0	0	0	1,000	0	0	0	1,000	1,000	-650	163,800	8.11			
12-Apr-95	0	0	0	0	0	1,300	0	0	00	1,300	1,300	650	165,100	8.11			
13-Apr-95	3,300	3,800	2,200	0	9,300	1,250	4,300	2,200	1,200	8,950	-350	300	164,750	8.06	8.05	8.06	8.04
20-Apr-95	0	3,800	2,200	2,400	8,400	2,700	4,500	2,200	1,300	10,700	2,300	2,600	167,050	8.14	7.93	7.94	7.85
26-Apr-95	0	0	0	0	0	1,400	0	0	0	1,400	1,400	4,000	168,450	7.96			
27-Apr-95	0	3,800	1,900	0	5,700	0	4,300	2,200	1,200	7,700	2,000	6,000	170,450		7.92	7.93	7.90
04-May-95	6,250	3,500	1,400	2,100	13,250	200	4,000	2,000	1,200	7,400	-5,850	150	164,600	7.68	7.75	7.74	7.74
08-May-95	200	0	0	0	200	0	0	0	0	0	-200	-50	164,400				
11-May-95	1,400	3,500	1,300	0	6,200	0	3,200	1,500	1,000	5,700	-500	-550	163,900		7.22	7.08	7.05
18-May-95	0	3,300	1,700	2,500	7,500	0	3,800	1,900	1,100	6,800	-700	-1,250	163,200		7.35	7.35	7.27
25-May-95	0	3,900	2,100	0	6,000	0	3,900	1,900	1,200	7,000	1,000	-250	164,200		7.46	7.47	7.42
29-May-95	0	0	0	0	0	1,500	0	0	0	1,500	1,500	1,250	165,700	7.56			
31-May-95	0	0	0	0	0	2,500	0	0	0	2,500	2,500	3,750	168,200	7.60			
01-Jun-95	0	4,300	1,800	2,500	8,600	3,000	4,000	2,000	1,200	10,200	1,600	5,350	169,800		7.39	7.38	7.28
06-Jun-95	1,500	0	0	0	1,500	0	0	0	0	0	-1,500	3,850	168,300	7.52			
08-Jun-95	0	4,400	2,100	0	6,500	0	3,900	1,900	1,200	7,000	500	4,350	168,800		7.13	6.95	6.93
15-Jun-95	2,500	4,000	1,800	2,600	10,900	1,000	3,900	1,900	1,200	8,000	-2,900	1,450	165,900	7.09	6.94	6.87	6.85
22-Jun-95	0	4,400	1,700	0	6,100	0	4,000	2,200	1,300	7,500	1,400	2,850	167,300		6.74	6.68	6.68
29-Jun-95	0	4,300	1,800	2,400	8,500	2,000	3,900	2,200	1,300	9,400	900	3,750	168,200	7.13	6.72	6.67	6.63
04-Jul-95	1,000	0	0	0	1,000	0	0	0	0	0	-1,000	2,750	167,200				
06-Jul-95	5,000	4,200	1,700	0	10,900	0	3,700	2,000	1,300	7,000	-3,900	-1,150	163,300		6.80	6.76	6.84
13-Jul-95	0	4,300	1,900	2,600	8,800	0	3,700	2,200	1,300	7,200	-1,600	-2,750	161,700		6.33	6.39	6.47
20-Jul-95	0	4,500	1,900	0	6,400	0	3,700	2,200	1,400	7,300	900	-1850	162,600		6.53	6.64	6.81
27-Jul-95	0	4,300	1,800	2,300	8,400	2,000	3,800	2,300	1,400	9,500	1,100	-750	163,700	5.99	6.62	6.85	6.98
27-Jul-95	0	0	0	0	0	1,250	0	0	0	1,250	1,250	500	164,950	6.57			
01-Aug-95	3,250	0	0	0	3,250	0	0	0	0	0	-3,250	-2,750	161,700				
03-Aug-95	0	4,000	1,700	0	5,700	0	3,500	2,100	1,400	7,000	1,300	-1,450	163,000		6.77	7.10	7.31
10-Aug-95	0	3,200	1,600	2,200	7,000	0	3,700	2,200	1,400	7,300	300	-1,150	163,300		6.59	6.84	7.03
17-Aug-95	0	3,800	1,600	0	5,400	0	3,700	2,300	1,400	7,400	2,000	850	165,300		6.57	6.95	7.28
24-Aug-95	0	3,900	1,900	2,300	8,100	0	3,800	2,300	1,400	7,500	-600	250	164,700		6.45	6.85	7.19

Reference Table VI *(con't)*

Fiscal 1995-96 Treasury bill program

Date	Maturing					New issues					Net increment			Average tender yields			
	CM	3 mo	6 mo	12 mo	Total	CM	3 mo	6 mo	12 mo	Total	Total	Cumulative	O/S	CM	3 mo	6 mo	12 mo
	(millions of dollars)													(per cent)			
31-Aug-95	0	4,000	2,100	0	6,100	0	3,900	2,400	1,400	7,700	1,600	1,850	166,300		6.34	6.62	6.92
07-Sep-95	0	3,900	2,200	2,200	8,300	0	4,000	2,400	1,400	7,800	-500	1,350	165,800		6.28	6.58	6.80
14-Sep-95	0	3,900	2,000	0	5,900	0	4,000	2,300	1,400	7,700	1,800	3,150	167,600		6.63	7.03	7.26
21-Sep-95	0	4,000	2,200	2,500	8.700	0	4,000	2,200	1,300	7,500	-1,200	1,950	166,400		6.66	6.95	6.95
28-Sep-95	0	3,900	2,100	0	6,000	0	4,000	2,100	1,200	7,300	1,300	3,250	167,700		6.46	6.74	6.94
05-Oct-95	0	3,700	2,000	2,500	8,200	0	4,000	2,000	1,100	7,100	-1,100	2,150	166,600		6.25	6.45	6.51
12-Oct-95	0	3,700	2,200	0	5,900	0	4,000	2,000	1,100	7,100	1,200	3,350	167,800		6.38	6.52	6.52
19-Oct-95	0	3,700	2,200	2,400	8,300	0	4,000	2,000	1,100	7,100	-1,200	2,150	166,600		6.42	6.54	6.53
26-Oct-95	0	3,800	2,200	0	6,000	0	4,000	2,000	1,100	7,100	1,100	3,250	167,700		7.40	7.41	7.35
02-Nov-95	0	3,500	2,000	2,200	7,700	0	3,400	1,700	1,000	6,100	-1,600	1,650	166,100		5.93	6.11	6.12
09-Nov-95	0	3,700	1,500	0	5,200	0	3,400	1,700	1,100	6,200	1,000	2,650	167,100		5.93	6.13	6.18
16-Nov-95	0	3,700	1,900	2,300	7,900	0	3,400	1,500	1,300	6,200	-1,700	950	165,400		5.91	6.14	6.23
23-Nov-95	0	3,800	1,900	0	5,700	0	3,400	1,700	1,100	6,200	500	1,450	165,900		5.87	6.02	6.16
30-Nov-95	0	3,900	2,000	2,300	8,200	0	3,400	1,500	1,300	6,200	-2,000	-550	163,900		5.82	5.89	5.95
07-Dec-95	0	4,000	1,900	0	5,900	0	3,400	1,600	1,200	6,200	300	-250	164,200		5.83	5.88	5.97
14-Dec-95	0	4,000	1,900	2,200	8,100	0	3,400	1,500	1,300	6,200	-1,900	-2,150	162,300		5.97	6.11	6.17
21-Dec-95	0	4,000	2,200	0	6,200	0	3,400	1,600	1,200	6,200	0	-2,150	162,300		5.81	5.93	6.08
28-Dec-95	0	4,000	2,200	2,200	8,400	0	3,400	1,500	1,300	6,200	-2,200	-4,350	160,100		5.54	5.65	5.77
04-Jan-96	0	4,000	2,000	0	6,000	0	3,600	1,600	1,200	6,400	400	-3,950	160,500		5.48	5.57	5.69
11-Jan-96	0	4,000	2,200	2,200	8,400	0	3,700	1,600	1,300	6,600	-1,800	-5,750	158,700		5.53	5.62	5.67
18-Jan-96	0	4,000	2,200	0	6,200	0	3,700	1,700	1,300	6,700	500	-5,250	159,200		5.48	5.47	5.59
25-Jan-96	0	4,000	2,300	2,200	8,500	0	3,700	1,800	1,400	6,900	-1,600	-6,850	157,600		5.49	5.57	5.56
01-Feb-96	0	3,400	2,100	0	5,500	0	3,800	1,900	1,300	7,000	1,500	-5,350	159,100		5.12	5.19	5.32
08-Feb-96	0	3,400	2,200	2,200	7,800	0	3,700	1,800	1,400	6,900	-900	-6,250	158,200		5.14	5.19	5.21
15-Feb-96	0	3,400	2,300	0	5,700	0	3,700	1,900	1,300	6,900	1,200	-5,050	159,400		4.94	4.98	5.08
22-Feb-96	0	3,400	2,300	2,300	8,000	0	4,100	1,800	1,400	7,300	-700	-5,750	158,700		5.16	5.27	5.36
29-Feb-96	0	3,400	2,400	0	5,800	0	4,100	2,000	1,400	7,500	1,700	-4,050	160,400		5.18	5.31	5.49
07-Mar-96	0	3,400	2,400	2,400	8,200	0	4,200	2,000	1,400	7,600	-600	-4,650	159,800		5.11	5.26	5.40
14-Mar-96	0	3,400	2,300	0	5,700	0	4,200	2,100	1,300	7,600	1,900	-2,750	161,700		5.26	5.50	5.84
21-Mar-96	0	3,400	2,200	2,400	8,000	1,600	4,200	2,100	1,400	9,300	1,300	-1,450	163,000	4.99	5.08	5.31	5.60
28-Mar-96	0	3,400	2,100	0	5,500	1,300	4,000	2,000	1,300	8,600	3,100	1,650	166.100	4.93	5.03	5.24	5.58

Source: Department of Finance.

Reference Table VII

Canada Savings Bonds, fiscal 1982-83 to fiscal 1995-96

Fiscal year	Gross sales during campaign[1]	Net sales during campaign	Outstanding at fiscal year end[2]
		(millions of dollars)	
1982-83	11,229	9,567	32,753
1983-84	11,584	8,761	38,403
1984-85	12,743	9,768	42,167
1985-86	15,107	10,157	44,607
1986-87	9,191	5,177	43,854
1987-88	17,450	14,913	52,558
1988-89	14,962	6,454	47,048
1989-90	9,338	3,121	40,207
1990-91	6,720	1,660	33,781
1991-92	9,588	4,733	35,031
1992-93	9,235	3,275	33,884
1993-94	5,364	842	30,866
1994-95	7,506	5,709	30,756
1995-96	4,612	3,352	30,801

[1] The figures shown are for the CSB campaign period, not the entire fiscal period; net sales are gross sales less redemptions during the period.

[2] Figures in accordance with Bank of Canada reports, which may vary slightly from Public Accounts categories due to differences in classification methods.

Sources: Department of Finance, *Bank of Canada Review*.

Reference Table VIII

Government of Canada interest rate swaps outstanding, March 31, 1996

Maturity date	Coupon	Notional amount
	(per cent)	
01-May-96	9.25	100
01-May-97	8.25	200
01-Jul-97	7.50	1,150
01-Oct-97	9.75	200
01-Feb-98	6.25	1,750
01-Sep-98	6.50	100
01-Oct-98	9.50	150
01-Dec-98	10.25	100
01-Mar-99	5.75	1,000
01-Sep-99	7.75	100
01-Mar-00	8.50	400
01-Jun-01	9.75	250
01-Feb-04	10.25	50
Total		5,550

[1] Refers to the coupon of the underlying bond which was swapped.

Reference Table IX
Fiscal 1995-96 fixed-coupon bond program

Offering date	Delivery date	Maturity date	Maturing	Gross	Net
				(millions of dollars)	
Fixed-coupon bonds					
March 22	April 3	December 1, 2005	1,350	1,900	550
April 5	April 18	November 1, 1998		2,500	2,500
April 19	May 1	June 1, 2025		1,250	1,250
May 3	May 15	December 1, 2005		2,000	2,000
May 17	June 1	September 1, 2000	3,100	2,400	-700
May 31	June 15	September 15, 1997		2,600	2,600
June 21	July 4	September 1, 2000		2,600	2,600
July 5	July 17	November 1, 1998		2,600	2,600
July 19	August 1	June 1, 2025		1,400	1,400
August 2	August 15	December 1, 2005		2,100	2,100
August 16	September 1	September 1, 2000		2,600	2,600
August 30	September 15	September 15, 1997	4,300	2,800	-1,500
September 20	October 2	March 1, 2001	752	2,300	1,548
October 18	November 1	June 1, 2025	1,500	1,100	-400
November 8	November 15	December 1, 2005		2,000	2,000
November 22	December 1	March 1, 2001		2,400	2,400
December 6	December 15	March 15, 1998	3,050	2,800	-250
December 20	January 4	March 1, 2001		2,100	2,100
January 17	February 1	June 1, 2025	3,500	1,250	-2,250
January 31	February 15	December 1, 2006		2,200	2,200
February 14	March 1	March 1, 2001	2,600	2,600	0
March 6	March 15	March 15, 1998	4,900	2,900	-2,000
March 20	March 29	December 1, 2006		2,200	2,200
Real Return Bonds[1]					
April 26	May 8	December 1, 2021		300	300
July 24	August 4	December 1, 2021		400	400
November 29	December 7	December 1, 2026		300	300
February 28	March 6	December 1, 2026		350	350
Total, fiscal year 1995-96			**25,052**	**51,950**	**26,898**

[1] Real Return Bond figures show gross issue amount only – the CPI adjustment is not shown here.

Source: Department of Finance.

Reference Table X

Outstanding Government of Canada fixed-coupon bonds as at March 31, 1996

Maturity date	Amount outstanding	Coupon rate
	(millions of dollars)	(per cent)
Fixed-coupon bonds		
01-May-1996	3,300	9.25
01-Jun-1996	2,175	8.75
01-Aug-1996	3,800	6.50
15-Sep-1996	55	3.00
15-Sep-1996	5,100	7.75
01-Oct-1996	3,425	9.25
01-Mar-1997	3,400	8.25
15-Mar-1997	4,800	8.00
15-May-1997	876	9.25
01-Jul-1997	4,200	7.50
15-Sep-1997	5,400	7.00
01-Oct-1997	2,775	9.75
01-Feb-1998	6,600	6.25
15-Mar-1998	197	3.75
15-Mar-1998	5,700	6.00
15-Mar-1998	2,225	10.75
01-Sep-1998	6,800	6.50
01-Oct-1998	3,100	9.50
01-Nov-1998	5,100	8.00
01-Dec-1998	2,275	10.25
01-Mar-1999	6,700	5.75
01-Sep-1999	8,500	7.75
15-Oct-1999	528	9.00

Reference Table X *(cont'd)*
Outstanding Government of Canada fixed-coupon bonds as at March 31, 1996

Maturity date	Amount outstanding	Coupon rate
	(millions of dollars)	(per cent)
Fixed-coupon bonds *(cont'd)*		
01-Dec-1999	2,825	9.25
01-Dec-1999	400	13.50
01-Mar-2000	6,500	8.50
15-Mar-2000	1,050	13.75
01-May-2000	1,575	9.75
01-Jul-2000	2,900	10.50
01-Jul-2000	175	15.00
01-Sep-2000	7,600	7.50
01-Sep-2000	1,200	11.50
15-Dec-2000	500	9.75
01-Feb-2001	425	15.75
01-Mar-2001	9,400	7.50
01-Mar-2001	3,175	10.50
01-May-2001	1,325	13.00
01-Jun-2001	3,550	9.75
01-Oct-2001	1,233	9.50
01-Dec-2001	3,850	9.75
01-Feb-2002	213	8.75
15-Mar-2002	350	15.50
01-Apr-2002	5,450	8.50
01-May-2002	1,850	10.00
15-Dec-2002	1,625	11.25
01-Feb-2003	2,700	11.75

Reference Table X *(cont'd)*
Outstanding Government of Canada fixed-coupon bonds
as at March 31, 1996

Maturity date	Amount outstanding	Coupon rate
	(millions of dollars)	(per cent)
Fixed-coupon bonds *(cont'd)*		
01-Jun-2003	6,900	7.25
01-Oct-2003	671	9.50
01-Dec-2003	8,800	7.50
01-Feb-2004	2,200	10.25
01-Jun-2004	7,900	6.50
01-Jun-2004	550	13.50
01-Oct-2004	875	10.50
01-Dec-2004	7,700	9.00
01-Mar-2005	1,775	12.00
01-Sep-2005	1,375	12.25
01-Dec-2005	8,000	8.75
01-Mar-2006	975	12.50
01-Oct-2006	1,025	14.00
01-Dec-2006	4,400	7.00
01-Mar-2007	325	13.75
01-Oct-2007	700	13.00
01-Mar-2008	750	12.75
01-Jun-2008	3,450	10.00
01-Oct-2008	725	11.75
01-Mar-2009	400	11.50
01-Jun-2009	925	11.00
01-Oct-2009	1,300	10.75
01-Mar-2010	325	9.75

Reference Table X *(cont'd)*
Outstanding Government of Canada fixed-coupon bonds as at March 31, 1996

Maturity date	Amount outstanding	Coupon rate
	(millions of dollars)	(per cent)
Fixed-coupon bonds *(cont'd)*		
01-Jun-2010	2,975	9.50
01-Oct-2010	325	8.75
01-Mar-2011	1,975	9.00
01-Jun-2011	750	8.50
15-Mar-2014	3,150	10.25
01-Jun-2015	2,350	11.25
31-Dec-2019	15	10.19
15-Mar-2021	1,800	10.50
01-Jun-2021	4,650	9.75
01-Jun-2022	2,550	9.25
01-Jun-2023	8,200	8.00
01-Jun-2025	8,900	9.00
Total marketable bonds	246,588	
Real Return Bonds		
01-Dec-2021	5,175	4.25
01-Dec-2026	650	4.25
Total Real Return Bonds[1]	5,825	

[1] Real Return Bond figures show gross issue amount only – the CPI adjustment is not shown here.

Source: Department of Finance.

Reference Table XI
Crown corporation market borrowings
(as at March 31)

Corporation	1989	1990	1991	1992	1993	1994	1995	1996
				(millions of dollars)				
Export Development Corporation	5,198	5,802	5,685	6,221	6,983	7,793	7,515	7,669
The Canadian Wheat Board	3,767	4,354	6,449	7,323	6,966	7,283	7,321	6,377
Business Development Bank of Canada	2,065	2,299	2,271	2,249	2,352	2,602	2,723	3,045
Farm Credit Corporation	1,328	1,216	1,128	813	797	863	990	1,582
Canadian National Railway System	1,715	1,716	1,861	1,803	1,905	2,249	2,331	–
Canada Mortgage and Housing Corporation	–	–	–	–	152	1,573	3,630	5,906
Canada Development Investment Corporation	525	566	612	713	594	473	–	–
Petro-Canada Limited	0	0	1,656	980	455	501	504	504
Petro-Canada	2,097	2,450	718	–	–	–	–	–
Canada Ports Corporation	–	–	–	200	188	–	–	–
Other	21	22	80	81	97	239	235	427
Total	16,716	18,425	20,460	20,383	20,489	23,576	25,249	25,510

Source: Receiver General, *Public Accounts of Canada.*

Reference Table XII

Crown corporation borrowings from the Consolidated Revenue Fund (as at March 31)

Corporation	1989	1990	1991	1992	1993	1994	1995	1996
				(millions of dollars)				
Canada Mortgage and Housing Corporation	8,879	8,678	8,484	8,419	8,181	8,075	7,835	7,263
Canada Deposit Insurance Corporation	1,695	1,375	1,225	1,785	3,085	3,151	2,160	1,627
Farm Credit Corporation	3,253	2,549	2,432	2,491	2,420	2,488	2,524	2,310
Other	1,218	1,106	934	975	819	415	307	233
Total	15,045	13,708	13,075	13,670	14,505	14,129	12,826	11,433

Note: Figures do not include “allowance for valuation”.

Sources: Receiver General, *Public Accounts of Canada*; Public Works and Government Services Canada data.

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